

Pennsylvania Telephone Association

*"The Communications
Leader in Pennsylvania"*

The Friday Report

June 12, 2009

INDUSTRY NEWS

- On Tuesday, Atlantic Tele-Network announced that it has agreed to pay \$200 million to purchase Verizon Wireless assets serving more than 800,000 subscribers in Georgia, North Carolina, South Carolina, Illinois, Ohio, and Idaho. The acquisition will give ATN more than 1 million customers and is part of Verizon's divestiture commitments in its merger with Alltel.
- "Out of the frying pan and into the _____?" Bankrupt General Motors announced this week that it has named former AT&T CEO Edward Whitacre, Jr. to become chairman of the "new GM" once it emerges from its bankruptcy proceeding in the next few months. Whitacre retired from Ma Bell in 2007.

CONGRESS NEWS

- Next Tuesday is the expected date for the Senate Commerce Committee to consider the FCC nominations of Julius Genachowski and Robert McDowell. Still no word on the nominations of Mignon Clyburn and Meredith Baker for the two remaining slots at the Commission.
- This week's hearing of the House Judiciary Committee's subcommittee on commercial and administrative law on cellphone taxation legislation drew a wide variety of perspectives. At issue was the Cell Tax Fairness Act of 2009 which was introduced in March by California Representative Zoe Lofgren. Among other things, the bill imposes a five-year moratorium on new state and local taxes on wireless services, providers or property. Testifiers on behalf of local municipalities offered that the cellular industry has thrived despite the current tax structure, that localities should retain the authority to develop its taxing structure in any way it deems fit to balance budgets, and that any legislative discussions on taxation should be held in abeyance until the FCC draft a national broadband plan (which will address obstacles to deployment). The bill's prime sponsor opined that discriminatory taxes stifle innovation and that existing taxes on cellphones would remain in place and provide revenues to local and state governments.

THE DAILY NUMBERS

- 75

According to research done by Leichtman Research Group and released this week, over 75 percent of all U.S. homes with computers now subscribe to broadband service. LRG

president Bruce Leichtman offered that the “evolution of broadband in the U.S. to date should be viewed as an unmitigated success.”

- 2,800,000

The digital TV cut-off date is tonight and Nielsen Co. estimated this week that 2.8 million homes (2.5% of the U.S. TV market), are totally unprepared for the transition. Nielsen’s survey on February 1, 2009 pegged the not ready number at 5.1 percent. On an age basis, the company believes that 4.6 percent of homes with residents age 35 or less are not quite there yet, while, for households with occupants 55 or older, the number is 1.3 percent.

QUOTABLE

- *“Although there was significant interest in this process from prospective buyers, the company and its board of directors have determined that the long distance network asset holds far more value to Qwest shareholders and is more strategically important to its customers than is the alternative of pursuing a transaction.”*

Excerpt from a Qwest statement regarding the removal of the company’s long distance network from the market after reviewing potential suitors. Media reports put the asking price for the LD network at \$2 billion and that Level 3 was one of the companies interested in an acquisition.