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IUB allows Qwest, CenturyLink merger: \$25 million commitment to broadband development; job stability assurances key factors in decision

The Iowa Utilities Board (IUB) today allowed the merger of Qwest and CenturyLink to proceed in Iowa. In response to IUB concerns, the companies committed to invest at least \$25 million during the next five years on broadband (high-speed Internet) in Iowa. The Board also emphasized evidence presented by the companies regarding job stability as a factor in accepting the merger.

The broadband commitment was not part of the original request for reorganization, but was made later in the proceeding in response to Board inquiries. The Board also noted assurances from testimony in this case that most existing Qwest jobs in Iowa are not likely to be adversely affected by the merger, particularly because those jobs are largely customer support positions. The Board specifically noted testimony from the merging companies stating that as long as customer counts remain the same, so should customer-facing jobs. The fact that the Communication Workers of America, the union representing most Qwest employees in Iowa, entered into a settlement agreement with the companies concerning the proposed merger provided the IUB with additional assurance the merger will not result in significant job loss. The Board also recognized that the merged entity should be financially stronger than Qwest by itself.

“The companies responded to Board members’ concerns by providing a strong commitment to broadband which was not a part of the companies’ original proposal,” said IUB Chair Rob Berntsen. “Also, synergies from the merger provide the potential for the future growth of customers and jobs.”

The reorganization will entail the indirect transfer of control of Qwest’s operating subsidiaries (Qwest Corporation, Qwest LD Corp., and Qwest Communications Company) to CenturyLink. Qwest Communications International will become a wholly-owned, first-tier subsidiary of CenturyLink. There will be no change in corporate structure of the CenturyLink and Qwest operating entities. The operating subsidiaries of both companies will continue as separate IUB-certified carriers, with no changes in rates, terms, or conditions of service for customers. The Board’s decision will become final when the Board’s written decision order (Docket No. SPU-2010-0006) is issued in the next several weeks and made available on the IUB’s electronic filing system, <https://efs.iowa.gov/>. Iowa is one of a number of states served by Qwest where regulatory actions must be undertaken pertaining to this reorganization.

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According to the companies, customers stand to benefit from CenturyLink's development of Internet Protocol Television and a combined network better able to deploy broadband, voice, and video services. The combined company attributes after the merger will be about 180,000 miles of fiber network, more than 5 million broadband customers, and about 17 million access lines in 37 states.

The request for review of the proposed reorganization in Iowa was filed on May 25, 2010. On August 16, 2010, the Office of Consumer Advocate and the applicants filed a settlement agreement and joint motion for approval of the settlement agreement. On September 28, 2010, a settlement to resolve issues between the applicants and several competitive local exchange carriers that were parties in this case was filed. The Board's decision approves both settlements without modifications.

CenturyLink is a publicly traded holding company with incumbent local exchange carrier operations in 33 states, including Iowa. Its headquarters are in Monroe, Louisiana. CenturyLink provides voice and broadband services and serves about 7 million access lines, 2.2 million broadband subscribers, and more than 553,000 digital television customers. Six CenturyLink operating companies have been certificated by the IUB.

Under Iowa law, the IUB is charged with reviewing certain reorganizations of public utilities and may disapprove them if the Board concludes that the transaction is contrary to the interests of ratepayers or the public.

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