

# Fleeing customers haunt phone co. in New England

March 12 2009, By CLARKE CANFIELD , Associated Press Writer

---

(AP) -- Phone companies fear that customers will increasingly switch off their landlines in favor of wireless phones or phone service from cable TV providers. So the last thing FairPoint Communications Inc. needed was to send subscribers fleeing with a botched technical transfer.

Now the company is trying to delay a debt payment and has seen its stock crater.

It all began when FairPoint swallowed an enormous acquisition.

North Carolina-based FairPoint owns and operates 32 phone companies in 18 states, with a total of 1.9 million access lines. Most of those came when FairPoint paid \$2.3 billion a year ago for [Verizon Communications Inc.](#)'s 1.5 million phone and [Internet lines](#) in northern New England.

Many subscribers were already getting itchy last year. FairPoint lost 12 percent of its residential and business lines - more than 152,000 of them - in Maine, New Hampshire and Vermont in 2008, a much higher rate than the nationwide peer average of 7 percent.

Now more subscribers are heading for the doors after experiencing e-mail, Internet and [customer](#) service problems in recent weeks after FairPoint took total control of the Verizon system.

Last week, Norm Marsh of Augusta switched his bundled phone, Internet and TV service from FairPoint to Time Warner Cable Inc.

The 71-year-old disabled veteran said it was hard to get through to FairPoint's call centers - even when he called at 2 or 3 in the morning - to report e-mail and Internet problems. When he did get through, he was put on hold for long waits and customer service agents often couldn't help him, he said.

"Enough is enough," he said. "I am so annoyed at these people because they messed me up."

The losses eat into precious revenue; FairPoint's 2008 revenue was about \$1.3 billion. In November, Standard & Poor's revised FairPoint's bond rating outlook to negative because of FairPoint's high level of customer defections.

Fairpoint CEO Gene Johnson said the decline in subscribers has been moderating. And its count of high-speed Internet customers rose in the final quarter for the first time since FairPoint's purchase of the Verizon assets was completed last March 31.

At the same time, Johnson conceded it's reasonable to assume more customers will leave after the glitches that occurred when FairPoint fully took over Verizon's computer systems at the end of January. During the "cutover" process, when FairPoint transferred millions of pieces of data from Verizon's computer networks to FairPoint's, thousands of customers lost services.

Many people lost e-mail messages, or couldn't access their e-mail for a couple of weeks. Some customers still haven't received their February bills.

The Maine Public Utilities Commission has received an estimated 1,200 calls from unhappy customers since late January.

Steve Hirshon, vice president of Maine Securities Corp. in Portland, said it's no surprise the company has been losing customers, not only because of the recent problems but because of the migration of customers to [wireless phones](#), a trend besetting all providers of landline service.

Investors clearly don't like what they've seen.

The stock price fell 65 percent last Friday alone, the day after FairPoint reported a quarterly loss of \$76.1 million and announced it was suspending its dividend. In recent days, a share of FairPoint stock has been cheaper than the cost of a call on one of its pay phones. It traded as high as \$11 in the past year.

FairPoint has filed a petition with regulators in the three states seeking to defer a \$11.25 million quarterly debt payment toward its purchase of Verizon's operations in northern New England. It is proposing to push back the March 31 payment to June 30.

The company said the change would help it manage its cash flow, which has been hurt by the loss of \$30 million in credit with the bankruptcy of Lehman Brothers Inc. and deteriorating economic conditions.

In response to the petition, New Hampshire Consumer Advocate Meredith Hatfield questioned whether FairPoint will have the liquidity to keep meeting its obligations.

But Johnson insisted the company does not have liquidity problems and filed the petition to keep it that way. Johnson said he expects to win back some customers in the months ahead when the transition is complete.

"I don't expect the first quarter to be a very pretty quarter, but I expect things to look better in the second quarter," he said.

He believes the company's shares are undervalued, and he's backing that up. On Tuesday, he bought 200,000 shares of FairPoint at prices ranging between 38 and 42 cents a share, according to U.S. Securities and Exchange Commission filings.

*©2009 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.*

Citation: Fleeing customers haunt phone co. in New England (2009, March 12) retrieved 24 April 2024 from <https://phys.org/news/2009-03-customers-england.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.