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## Citizens Communications Q2 2007 Earnings Call Transcript

### Question-and-Answer Session

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#### **Operator**

Thank you sir. Today's question and answer session will be conducted electronically. [Operator Instructions]. And we will go first to Jonathan Chaplin of JP Morgan.

#### **Jonathan Chaplin - JP Morgan**

Good morning. Thanks for taking the question. Just a couple of quick questions on access lines, and then a couple of housekeeping questions, I think you said that second lines were down 4,800. I just wanted to confirm that number. And then I was wondering how much of the pressure on second lines was from the CTE properties where second line penetration was historically very high. And then just looking at the increase in primary line pressure, if you could give us a little bit more color on some of the... on some of the impacts there, how much of it came from incremental cable VoIP exposure that might have been rolled out during the course of the quarter. And then I think you said on... I think the commentary on subsidies was that there was a \$3.3 million negative impact and I'm assuming that unwinds in the back half of the year so that subsidy should bounce back to about \$32 million a year. I just wanted to make sure of that as well. Thanks.

#### **Donald R. Shassian - Chief Financial Officer**

Jonathan, you got a lot of questions there. Let me take a shot and Maggie, keep me honest what I am missing.

#### **Maggie Wilderotter - Chairman and Chief Executive Officer**

Okay.

#### **Donald R. Shassian - Chief Financial Officer**

On the second line loss, it was 4,500.

#### **Jonathan Chaplin - JP Morgan**

45.

#### **Donald R. Shassian - Chief Financial Officer**

About half of that was Pennsylvania property. Line losses, we did see increased competitive activity, specifically in the Central region. The cable VoIP competition we still estimate to be between 50%

and 55%, so we did see some increased competition from a couple of cable providers in the Central region with more promotions. Not ruling out VoIP, but just more aggressive promotions.

**Maggie Wilderotter - Chairman and Chief Executive Officer**

And maybe just, Jonathan, to add some color to that, in the CTE properties, all of our bundles that we've rolled out, we are keeping second lines in those bundles. So we are being pretty successful in keeping a fairly high level of second lines, even though we've accelerated greatly the high-speed internet conversions. And then also on the primary lines, I will say our deactivations are very good. We have seen some softness in gross adds. As Don said, we had a couple of cable operators launch some pretty aggressive price promotions in a couple of markets in the Central region. We've been watching that and actively responding to that competitively. We do believe by the end of this year about 75% of our markets will have a cable VoIP provider active in those markets.

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