**CWA Local 7270 President Mark Doffing Remarks to the Minnesota Public Utility Commission -** 09.24.2020

My name is Mark Doffing and I am the president of the Communications Workers of America Local 7270. I’m speaking today as a representative of 85 members working as technicians and in call centers for Frontier in the southern Minnesota area.

I want to thank the Minnesota Public Utilities Commission for calling this hearing.

Over the past two years, the Minnesota PUC and the Office of the Attorney General have undertaken investigations into Frontier’s service and business practices, finding systemic issues and potential violations of state law. CWA supported those investigations and the resulting settlements to improve service and provide restitution to Frontier customers who had been harmed.

Those settlements have produced positive results for many residents in my area, in particular the southern suburbs of Minneapolis-St. Paul like Apple Valley and Rosemount.

However, Frontier has been unable to properly address the needs of customers in smaller cities, especially in the rural southwest portion of the state, including Canby, Slayton, Worthington, and Fairmont, due to continued cuts to staffing. Areas that used to be covered by six to eight technicians are now being handled by two. In the past two years, we have lost more than 15% of our workforce in Minnesota. The company has been unwilling to hire technicians to meet the demands of its customers in these areas. As a result, the remaining technicians can’t provide the kind of service that customers deserve. Needed repairs to the network are ignored or postponed, resulting in continued deterioration of plant and customer service.

We recognize that the Plan of Reorganization under review in this proceeding could provide the funding necessary to address these issues of understaffing and allow Frontier to invest in Minnesota. However, we have serious concerns about the future of the business in Minnesota. We are concerned about whether Frontier will follow through on its promises to use the new funds to improve service and maintain an adequate workforce and how its commitments will be enforced.

Specifically, our concerns are about the Company’s agreement with its new owners, which includes commitments on something called a “Virtual Separation.”[[1]](#footnote-0) It is described as a plan to separate state operations between those that will receive fiber deployment (referred to as “InvestCo”) and those that will receive unspecified upgrades and improvements (referred to as “ImproveCo”). Frontier’s filings in this proceeding do not explain under which grouping Minnesota service areas will fall or how that decision will be made. If Minnesota is designated as an “InvestCo” area, how much investment will be put into new fiber? If Minnesota is designated as an “ImproveCo” area, what kinds of improvements are planned, including how Frontier’s Minnesota workforce will be expanded and trained to perform the needed improvements? These are important questions whose answers will impact the future of telecommunications service for Minnesota residents, and CWA believes answers are needed before an informed decision can be made on this plan.

In addition, Frontier’s plan for a “Virtual Separation” appears to be connected to statements made by Frontier management to investors in recent quarterly earnings reports, which describe a Strategic Vision for the company that includes “selectively and proactively identify and seek to monetize states that may be less strategic.”[[2]](#footnote-1) The Plan of Reorganization filed in this proceeding does not make clear whether Minnesota is one of these “less strategic” states or how such states would be identified. Does Frontier see a future in providing telecommunication service in Minnesota? Recent experience with this Company does not suggest a strong commitment to service in Minnesota. This issue will impact service for Minnesota customers but has not been addressed. CWA believes that the PUC should get answers to these questions so that an informed decision can be made.

Underlying these concerns is the prospect of a new ownership group that includes hedge funds like Elliott Management and GoldenTree Assets. In other state proceedings, Frontier has disclosed that these and two other Wall Street investment firms will be the largest shareholders of the reorganized company. These funds have a history of launching shareholder campaigns advocating for asset sales and reduced investment to fund increased dividends and share buybacks.[[3]](#footnote-2)

Frontier claims the new owners will not influence management decisions because no one company will hold more than 10% of the new shares; but a filing Frontier made with the New York Public Service Commission two weeks ago shows that four Wall Street investment companies will own between 20 and 28% of the new company.[[4]](#footnote-3) Those hedge funds already have selected a new chairman of the board for Frontier.[[5]](#footnote-4) That proves these investors are working together to direct Frontier’s future; but we don’t know what other changes they have in store for the company, and what it will mean for Minnesota.

Regulatory agencies in other states, including California, Connecticut, and West Virginia, have ongoing cases to thoroughly investigate the impact of “virtual separation” and the new ownership structure on their customers. They have allowed for discovery requests and expert testimony on these issues. CWA is asking the commissioners to likewise undertake an investigation to ensure that the interests of Minnesota customers are protected, as you have done in the past.

Thank you again for the chance to summarize our concerns today. I would be happy to try and answer any questions you may have, but frankly I have more questions than answers about this deal.

1. The Restructuring Term Sheet was appended to the initial Declaration of Carlin Adrianopoli in the Bankruptcy Court, p. 9 (Apr. 15, 2020), <https://cases.primeclerk.com/ftr/Home-DownloadPDF?id1=MTM5NDQ0Nw==&id2=0>. [↑](#footnote-ref-0)
2. Frontier Quarterly Investor Update, p. 14 (Sep. 3, 2020), <https://s1.q4cdn.com/144417568/files/doc_financials/2020/q2/Frontier-Q2-2020-Investor-Update-Final.pdf>. [↑](#footnote-ref-1)
3. Elliott Management’s Attack on Jobs and Investment at AT&T, Communications Workers of America (Oct. 2019), <https://cwa-union.org/sites/default/files/cwa-att-elliott-factsheet.pdf>. [↑](#footnote-ref-2)
4. Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable Television Franchise filed with the NY Public Service Commission in Case 20-C-0267, p. 9 (Sep. 9, 2020)(“Frontier understands that the following entities hold 5 percent or greater, but less than 7 percent, of the Senior Notes: Elliot Investment Management, L.P.; Franklin Mutual Advisers, LLC; HG Vora Capital Management, LLC, and GoldenTree Asset Management LP.”). [↑](#footnote-ref-3)
5. As it targets early next year, Frontier names former Verizon executive as chairman once Chapter 11 is complete, Fierce Telecom (Sep. 1, 2020), <https://www.fiercetelecom.com/telecom/as-it-targets-early-next-year-frontier-names-former-verizon-executive-as-chairman-once>. [↑](#footnote-ref-4)