

# Assembly California Legislature

## Assembly Committee on Utilities & Commerce Mike Gatto, Chair

### Informational Hearing: Frontier Telecommunications Transition May 18, 2016

This hearing will examine the status of Frontier Communications Corporation's (Frontier) transition from Verizon Communications Inc.'s (Verizon) telecommunication services to Frontier in California.

Frontier is the fourth largest incumbent local exchange carrier in the United States. Frontier provides residential, business, and government customers with telecommunication and other services, primarily in rural areas and small cities. Its services include local and long distance voice, broadband Internet, and multichannel video services. Frontier has approximately 7.1 million customers in 29 states.

Verizon provides local and long distance retail and wholesale voice and data services, retail broadband services, and video services to approximately 3.7 million voice connections, 2.2 million broadband (DSL and FiOS) connections, and 1.2 million FiOS video connections. It has operating subsidiaries in California, Florida, and the Southwest. Verizon's FiOS service is an Internet, telephone, and television service that operates over fiber optic networks.

Effective April 1, 2016, Frontier acquired Verizon's California wireline, broadband, and FiOS businesses and began transitioning Verizon customer accounts to Frontier accounts. Almost immediately, news media began reporting transition issues, primarily customer complaints over service interruptions, limited content, and poor customer service.

For a map of Frontier's service area and its Verizon acquisition in California see Appendix A.

#### **I. Background on Frontier's acquisition of Verizon Services**

In February 2015, Verizon and Frontier reached an agreement to sell Verizon's wireline assets in three states (California, Florida, and Texas) for \$10.5 billion. The sale would result in Verizon exiting the wireline service and instead provide only wireless services in California. Frontier's

acquisition of Verizon's businesses in California required approval from the Federal Communication Commission (FCC) and the California Public Utilities Commission (CPUC). Beginning in March 2015, the FCC began taking comments on the proposed transaction in order to determine whether the proposed transaction would "serve the public interest, convenience, and necessity." Among the topics examined during the approval process, included whether or not the transition would have adverse competitive effects, whether Frontier has the requisite financial and technical qualifications to operate Verizon's networks, and the impact the transaction would have on network infrastructure, service quality, wholesale services and agreements, customer support, and employment. This paper will go into greater length on the details of these topics.

In September 2015, the FCC approved the transaction and stated it found "[the] transaction is likely to result in tangible potential benefits for customers through improved broadband service and investment and certain synergies and cost savings [...] Overall, we find the transaction's potential benefits outweigh any potential public interest harms." Subsequently, in December 2015, the CPUC unanimously approved the transaction. The transition from Verizon services to Frontier began on April 1, 2016.

## **II. Frontier Transition Preparation**

Frontier began a multimedia awareness campaign in March 2016 to educate consumers on the transition, including TV, digital, and radio advertisements, as well as billboard advertising in both English and Spanish. Frontier also created a Web site ([www.MeetFrontier.com](http://www.MeetFrontier.com)) to provide customers with details, answers to Frequently Asked Questions (FAQs) on the transition, and sent letters and emails to customers with customer service contact information and directed them to their Web site.

According to Frontier, since the start of the transition it has staffed, on a 24/7 basis, an operational command center and brought in additional technicians to assist with the transition.

According to Frontier, the transition required extensive training of more than 10,000 technicians and customer service representatives. This training could not take place until after the transaction was closed. During the training period, Frontier relied on partners to help address customer service request. According to Frontier, as of May 2, 2016, it had all the previous Verizon call center employees fully trained and on duty in the five California Call Centers along with dedicated support from across the nation to address customer care issues.

## **III. Transition Issues**

Beginning April 1, 2016, numerous customers experienced service problems transitioning from Verizon to Frontier. Customers' complained of intermittent and unreliable telephone voice services, including dropped calls, bad reception, and no service. In addition to intermittent and unreliable telephone voice services, other issues included billing discrepancies, broadband

connection problems, and a lack of content on Frontier's Video on Demand services. These issues were further exacerbated by poor customer service, including long wait times to speak to Frontier customer service representatives and delays in scheduling technicians to fix issues for customers.

Such disruptions can have adverse impacts on residences and businesses as well as the health, safety, and economy of communities. Without telephone or Internet services, customers are left without the ability to go about their daily lives, for example, businesses whose billing and customer data depend on broadband services would not be able to process credit card transactions or track customer accounts, students are unable to do research or their homework, and medical professionals are unable to contact patients in emergency situations.

Frontier notes that the service interruption has not impacted 911 calls made through wireline services. The City of Glendora reported to the Assembly Utilities and Commerce (U&C) Committee that their business lines were inoperable and forced them to temporarily transfer 911 services to another local agency to ensure that the calls were not lost. This service disruption lasted four hours.

A resident in the Chino Hills region wrote to the U&C Committee and stated:

*Yesterday we experienced our 2nd outage in as many days. We have a special needs daughter who attends a day program for the disabled. Today she took a fall at the program and they attempted to call and inform us about what happened. They were unable to reach us. She is also very seizure prone. I have called Frontier several times and expressed how important it is to have a working land line but they tell me they can't get a tech. out here until the 8th. We also have ADT connected to that line which is now unusable.*

According to Frontier, some of its FiOS customers did experience issues due to the transfer of Verizon's network to the Frontier network and that this impacted some Voice over Internet Protocol (VoIP) phone and internet service. In addition, according to Frontier, there is limited availability of content on its Video on Demand services because Frontier is in the process of uploading more than 100,000 additional titles to its Video on Demand library and intends to complete the process expeditiously.

According to the CPUC, since April 1, 2016, it has received approximately 867 informal complaints associated with the transition. According to Frontier, the FCC has received approximately 1,401 complaints; however, they note that not all complaints are transition related. The U&C Committee also notes that it has received over 50 complaints on the transition since April 1<sup>st</sup>. Furthermore, Frontier notes that on average it receives 1,300 – 1,600 trouble tickets per day. This is in addition to pending trouble tickets transferred from Verizon on April 1<sup>st</sup>.

In response to the outages, Frontier has participated in several town halls and hearings held by local and state officials to address customer complaints. According to Frontier, the outages have most impacted portions of Southern California markets with FiOS services. Based on a sample of informal complaints received by the CPUC, the areas most impacted include, Long Beach, Huntington Beach, Santa Monica, Camarillo and Lakewood. According to the CPUC, consumer complaints and service issues are referred to Frontier for resolution. The CPUC monitors outages reported in Frontier's service area and coordinates with Frontier on their resolution. Complaints received by the CPUC are recorded in their consumer database and used for monitoring and enforcement activities.

Frontier encourages customers in need of assistance to call its hotline, talk to a representative online, or visit the Frontier Web site.<sup>1</sup> According to Frontier, it reviews each customer complaint individually and will issue bill credits to every customer who reported a service outage automatically. According to Frontier, the bill credit will be reflected on a customer's bill no later than the end of June. Frontier notes that the clearing of trouble tickets is steadily improving as its new employees become more familiar with Frontier's protocols for resolving service issues as well as learning about Frontier products and that nearly all compliant have been resolved with customer and are being closed out in their database.

#### **IV. Frontier's Approval Process and Commitments**

As part of the FCC approval process, several groups raised questions and issues over the potential acquisition.

##### *a. Infrastructure, Service Quality, and Operation Support Systems*

As part of the approval process, several groups raised concerns over the current status of Verizon's network infrastructure and its poor service quality record. They argued that Frontier may be unable or unwilling to remedy these issues. Groups expressed concerns over Frontier's financial qualification to maintain and invest in the acquiring network, as well as the lack of detail regarding the transition of Verizon's customers to Frontier's operation support systems.

In September 2015, in response to concerns over the transition of Verizon customers to Frontier network systems expressed in FCC proceedings, Frontier stated that it had its own functioning

---

<sup>1</sup> Frontier customers in need of assistance should call: Residential customers (800) 921-8101; Business customers (800) 921-8102; or Chat Live through the Contact Us page at <https://frontier.com/Contact-Us#/residential> to address the matter with a Frontier customer care representative. Customers may also contact Frontier's West Region President, Melinda White, to provide her with their direct feedback, via email at [LetMelindaKnow@ftr.com](mailto:LetMelindaKnow@ftr.com).

operations support system and billing systems in place for the transfer. Hence, Frontier would not be replicating Verizon's existing system for a year before the cutover as it did in previous acquisitions. Frontier also stated that it already had "significant operational experience with systems similar to those of [Verizon], including FiOS," and that Verizon and Frontier agreed to plan and test the data transfer process prior to the conversion. Frontier further notes that they have established 140 working teams that are focused on preparing functional transition plans for customers, who will undergo preparatory, testing, and mock conversion so that Frontier's systems are ready to accept orders, billing network operations functions, and other requirements at the time the transition occurs.

Frontier reached agreements with ORA, TURN, and CforAT to resolve issues raised by the groups. Highlights of the agreement include:

- Commitments to meet with consumer advocate groups and present quarterly financial results and results about broadband deployment;
- Submission of confidential progress reports identifying progress made to deployment of broadband and work completed to date, capital and operational expenditures related to planned actions, and broadband performance metrics;
- Submission of specific plans for improving voice and broadband service quality, reliability, and availability throughout the Verizon California service area;
- Creation of an independent survey consultant to survey customer satisfaction for broadband and voice services (including VoIP);
- Offering backup batteries to new VoIP customers and advise all Verizon customers of the necessity of backup batteries in connection with VoIP;
- Offering broadband Internet access as a standalone service for two years;
- Not requiring existing or new Verizon California customers served by copper facilities to migrate to FiOS services or VoiceLink;
- Agreeing not to redline or otherwise exclude low income households in the deployment of broadband;
- Rate commitments and caps on basic resident services, exogenous events, and other services;
- Coordination and transition of 911 functionality and reliability; and

- Submission of plans to improve service quality and reliability.

*b. Employment and Diversity*

In July 2015, Frontier reached an agreement with CWA through the collective bargaining process, in which Frontier agreed to, among others, honor and extend Verizon California's existing collective bargaining agreement with CWA, increase these employee's wages during the contract extension, and to add an additional 175 employees in California beyond the number of employees transferred to Frontier at the close of the transaction.

During the FCC approval process, groups also brought up concerns over employment and diversity. Greenlining raised concerns over Frontier's levels of internal employee diversity as well as supplier diversity. Since Verizon's diversity rates "greatly exceed Frontier's," concerns were raised over whether or not the transition from Verizon to Frontier would have an adverse impact on employment for women or minorities. Furthermore, CWA brought up concerns over whether the transaction would result in any reduction in employment levels, worker living standards, and service quality.

In September 2015, Frontier reached a memorandum of understanding with Greenlining resolving issues related to diversity and to ensure that the proposed transaction benefits communities of color through collaboration and continued dialogue.

*c. Competition*

Competitive Local Exchange Carriers (CLECs) are telephone companies established after the federal Telecommunications Act of 1996 that build and operate communication networks in existing Incumbent Local Exchange Carriers (ILECs) service areas. CLECs provide customers with alternative services to ILEC services but use the ILEC network and infrastructure to deliver their services to customers. CLECs were created to promote competition between telephone service providers. With the transition from Verizon to Frontier, CLECs expressed concerns over continued access to interconnection agreements, wholesale inputs, and other wholesale contracts between CLECs and Verizon that were being sold to Frontier. Furthermore, the Department of Justice reviews telecommunication mergers and may block a merger if they demonstrate that the merger may substantially lessen competition or tend to create a monopoly.

In the FCC memorandum opinion and order approving the merger, Frontier and Verizon noted that "although Frontier and Verizon have adjacent local exchanges in three areas of California, [Frontier and Verizon] assert that they do not compete for customers in the relevant market for the transaction because Frontier operates neither local exchange nor mobile facilities in any of the transferring exchanges. Further, Frontier states that, prior to the proposed transaction it had no plans for expanding operations into the acquired territories." As a result, the FCC found that the transaction was unlikely to result in any reduction in competition.

In September 2015, Frontier reached agreements with a joint group of CLECs, including, the California Association of Competitive Telecommunication Companies (CALTEL), PAETEC Communications Inc., O1 Communications, and Cox Communications, in which Frontier agreed to, among others, honor Verizon California's exiting interconnection agreements, grandfather and continue to provide Interconnection agreement service, and honor all obligations under Verizon California Wholesale Tariffs.

In March 2015, the California Attorney General's Office issued an opinion finding that the transaction would not adversely impact competition and that it has the potential to enhance competition in several produce areas, including competition among wireless service providers, CLECs, and voice communication services.

## **V. Conclusion**

The Frontier Verizon transaction was approved by the FCC in September 2015 and the CPUC in December 2015. The switch over began on April 1, 2016. Weeks into the transition, customers continue to complain about service quality, billing errors, and customer service response. Such issues have raised questions, such as:

- Whether or not Frontier was adequately prepared and has the necessary resources for the transition;
- Whether the customer service issues are just the pains of transferring over a million customers from one provider to another; or
- Whether Frontier has the ability to serve and maintain its newly acquired Verizon customers and services.

