Frontier Communications executives receive bonuses with firm in bankruptcy

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A US bankruptcy judge in late May approved $37.7 million in bonuses for executives at Frontier Communications corporation as the telecommunications firm navigates its way through Chapter 11 bankruptcy.

The executives of the corporation are being rewarded for policies dictated by Wall Street that led the company to bankruptcy, putting the livelihood of thousands of workers in jeopardy and leaving customers with outmoded and unreliable service. The massive bonuses handed to top management stand in stark contrast to the massive underfunding of worker pensions.

Prior to the bonuses, Frontier announced plans to postpone pension contributions totaling $153 million using provisions of the CARES Act signed by President Donald Trump in March. The pension is already underfunded by nearly a billion dollars, with $2.73 billion in assets and $3.72 billion in obligations. Further compounding retirement problems for Frontier workers is the collapse of company share prices, which has hit 401k defined contribution retirement plans hard. The “company match” in the 401k plan is in the form of Frontier shares. It typically accounts for a large portion of these savings plans. Share prices were over $200 a decade ago and now stand at around 12 cents per share, effectively wiping out a significant portion of plan participants’ retirement savings.

Frontier Communications is among the largest telecom providers in the US. It provides landline phone, Internet and television services to 3.75 million consumers as well as enterprise services to business and government customers.

The company employs approximately 17,000 workers. It currently has operations in 25 states and has traditionally serviced rural areas, although after the purchase of wireline assets from Verizon, it expanded into metropolitan areas in several states including California, Texas and Florida. Frontier Communications emerged out of a series of mergers, acquisitions and sales from other telecom providers, including Verizon’s holdings in what had formerly been General Telephone or GTE and other smaller companies, the details of which would require a separate article. Today, the company continues to be the sole telecom provider in a number of rural communities. Not only does the bankruptcy affect jobs, it leaves rural customers relying on an outmoded and unreliable Internet and communication services with no alternative in a number of rural areas.

In recent years, there have been numerous substantiated complaints against Frontier for unreliable service from both customers and state regulators. The Minnesota Commerce Department, for example, found that Frontier’s network has “frequent and lengthy” phone and Internet outages. The West Virginia Public Service Commission has had more than 4,000 complaints regarding Frontier service and repair problems according to one ABC TV News affiliate in that state. In upstate New York, the State Public Service Commission reported that “several Frontier Communications subsidiaries have significant service-quality problems, including escalating complaint rates, lengthy repair durations, and localized network reliability issues.”

What’s behind the abysmal service offered by Frontier is the fact that the company has failed to both upgrade and maintain its aging copper-wire network. Copper networks offer limited bandwidth.

According to the website *ARS Technica,* “Frontier’s average Internet download speeds in New York are just 7.4Mbps, by far the lowest of any major provider in the state.”

Many Frontier customers are still reliant on 20-year-old DSL technology. Further, copper networks break down quickly as they age, suffering from moisture, corrosion and noise on the line from electrical interference, to name a few problems. Repair of a copper network is laborintensive. While Frontier has cut its number of employees over the years, the company milks the failing network for every penny of profit while inadequately investing in maintenance and upgrades. Customers are left without service for long periods before a repair is scheduled.

This brings us to the next point. Fiber-to-the-premise offers tremendous bandwidth with current download speeds of around 940 Mbps available. Fiber networks are far more reliable than aging copper networks, and there is strong consumer demand for the service where it is available.

So why hasn't Frontier upgraded its network to fiber, except in a few markets?

Frontier admitted that a major cause of the bankruptcy was a failure to roll out fiber across its service territory to retain and attract customers and grow new revenues. An article on the website *Electronic Frontier Foundation* (EFF) on April 30 said, "It just falls under the old adage 'you have to spend money to make money,' an anathema to American ISPs' entrenched position of prioritizing short-term profit over making lasting investments," pointing to short-term profit concerns outweighing all other considerations.

The article then noted, "Instead of being incentivized to grow a satisfied consumer base by investing in better service and expanding to underserved customers, publicly traded companies' incentives are dominated by quarterly reporting. They are driven to show larger profits every three months, and that short-term profitability woos big-dollar sources of investment and pleases the analysts whose judgments move the financial markets. This short-termism precludes investments that bear fruit in the future. That is why for years, the telecom sector has invested almost exclusively in programs that pay out in three to five years and neglected anything that pays out over 10 years or more." Essentially, Frontier was content to milk every bit of profit from its decaying, outmoded copper network while not making the investments to build out a robust modern network.

The Communications Workers of America (CWA), the union that bargains for a number of Frontier workers, has collaborated with management in imposing the destruction of jobs. The CWA's only efforts have been directed at pressuring the Democrats to force the telecoms to invest in their networks by imposing new regulations. This has proved an utterly bankrupt strategy. In fact, much of the deregulation of the industry that has led to the present state of decline was initiated by Bill Clinton in the late 1990s with his Telecom Act.

What the *EFF* article fails to point out is that the deliberate decision not to invest in necessary upgrading of the network, which led to the bankruptcy of Frontier, was driven by the dictates of Wall Street, which punishes companies for making big, long-term capital investments.

This subordination of the telecom industry to the financial oligarchs is why decisions that make sense from an operations or customer service viewpoint are ignored.

The goal is to maximize and increase the flow of profits to Wall Street *every* quarter over the last, no matter how illogical. CEOs who comply at no matter what cost to workers and consumers are rewarded with obscene bonuses and compensations, while those who falter are removed quickly.

This reporter has worked 30 years in the industry, and during that time I've heard workers point out, correctly, many times how corporate decisions coming down from above make no sense toward the goal of providing service. However there is a "logic"—that of Wall Street and its unending thirst for profit. The same could be said of practically any industry.

These irrational profit-driven considerations are in conflict with the progressive development of man's productive forces. The solution is for the telecommunications industry to be taken out of private hands and operated on the basis of social need rather than the accumulation of private profit. This requires the development of independent organization by workers, of new forms of workplace representation and struggle, including the development of factory and workplace committees. This must go hand in hand with the development of an independent political movement of the working class aimed at the socialist reorganization of society

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