

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Docket No. DT 16-872
Consolidated Communications Holdings, Inc.



Answers of Labor Intervenors to FairPoint's First Set of Data Requests

FP: Labor-5: Referencing the Barber Testimony, page 3, line 16, in which Mr. Barber states that "[FairPoint]'s customer service has deteriorated," please:

- a. identify all facts supporting this statement;
- b. identify the timeframe covered by this statement;
- c. produce any and all documents and/or analysis supporting this statement.

Answer:

Please see Mr. Barber's response to Consolidated data request 1-9 Labor/Barber.

Response provided by: Randy Barber

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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Consolidated Communications Holdings, Inc.

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1-9 Labor/Barber: Please refer to page 14, lines 4-5 of your prefiled testimony and state the basis for your statement that, "There is a real possibility that the Petitioners cannot achieve both the level of synergies they project and at the same time maintain or improve FairPoint's operations." Please specifically include in your response: a) all facts supporting this claim; and b) produce all documents/analysis supporting the above referenced statement at page 14, lines 4-5 of your prefiled testimony.

Answer:

a) As Mr. Barber notes throughout his testimony, he believes that Consolidated's stated synergy goals appear to have been developed without reference either to FairPoint's specific operational needs nor to the significant reductions the company has already effectuated in December 2016. In addition, Mr. Barber relied on conversations with Labor Witness Steve Soule as Mr. Soule was preparing his testimony, as well as the testimony filed by of Labor Witnesses Michael Spillane (in Vermont) and Peter McLaughlin (in Maine). All of these witnesses identify a range of significant shortcomings in FairPoint's current operations and raise serious questions about the impact of further "synergy-related" reductions on FairPoint's ability to deliver safe and adequate service. Also, see footnotes 1 through 3 in Mr. Barber's testimony for the basis of his concern about Consolidated's service quality experiences at some of its subsidiaries.

b) In addition to the documents provided with his testimony, documents supporting this statement include the testimony of Mr. Soule (to be filed on April 19), Mr. Spillane in the Vermont proceeding (a copy of which is attached) and the testimony of Mr. McLaughlin in the Maine proceeding (a copy of which is attached).

Author of Response: Randy Barber

Attachment: Attachment to CC.Labor.1.9 (NH LABOR 784-827).pdf

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 8881

Joint Petition of Consolidated Communications Holdings, Inc., Consolidated Communications, Inc., Falcon Merger Sub, Inc., FairPoint Communications, Inc., Telephone Operating Company of Vermont LLC, FairPoint Vermont, Inc., UI Long Distance, Inc., and Enhanced Communications of Northern New England, Inc., for Approval of a Transfer of Control by Merger, Pursuant to 30 V.S.A. §§ 107, 108, 109, 231(a), and 311

PRE-FILED DIRECT TESTIMONY OF MICHAEL SPILLANE
ON BEHALF OF LABOR INTERVENORS

Dated: March 29, 2017

Summary of Testimony

Mr. Spillane, the Business Manager for the International Brotherhood of Electrical Workers Local 2326 in Montpelier, describes current staffing levels and maintenance practices at FairPoint in Vermont. He explains that it is not reasonable to accept Consolidated's belief that it can obtain millions of dollars in savings by reducing operating expenses in Vermont. Further reductions in the workforce would impair public safety and diminish the reliability of service provided to the public.

Mr. Spillane recommends that if the Board decides to approve the proposed merger, that it impose as a condition of its approval the following: If Consolidated plans to generate synergies by further cuts in its operations and workforce in Vermont, then Consolidated should be required to submit plans to the Board showing that its reductions in workforce and operations will not have an adverse effect on the reliability and safety of its telephone service in Vermont.

Table of Contents

Introduction	1
Potential for Synergies from Union-Represented Workforce	4
Overview of Synergies.....	4
Dispatch	5
Transportation Equipment	7
Field Workforce Staffing and Locations.....	8
Maintenance.....	13
Splice Service Technicians	15
Summary of Synergy Potential from Union-Represented Employees	16
Conclusions and Recommendations.....	17

1 **Introduction**

2 **Q. PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.**

3 A. My name is Michael Spillane, and my office address is 948 Hercules Drive, Suite 16,
4 Colchester, Vermont 05446.

5 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

6 A. I am currently the Business Manager for the International Brotherhood of Electrical
7 Workers (IBEW) Local 2326 in Montpelier, Vermont. I also serve as the Vice Chairman
8 of the IBEW System Council T-9 (SCT-9), which is the collective bargaining body of
9 IBEW Locals 2320, 2326 and 2327. The SCT-9 represents telephone workers across the
10 3 northern states of Maine, New Hampshire and Vermont.

11 **Q. PLEASE OUTLINE YOUR HISTORY AND EXPERIENCE WORKING AS A**
12 **TELEPHONE-COMPANY EMPLOYEE.**

13 A. I was hired by New York Telephone Company (NYT) in February of 1987 where I
14 worked in the Lower Manhattan portion of New York City as a repair technician (IRT).
15 In 1989 I transferred to Vermont, and as an employee of New England Telephone (NET)
16 I was an Outside Plant Technician in the Milton garage. Over the period of my career, I
17 have held a number of positions, including the following: Splice Service Technician,
18 Outside Plant Technician, Administrative Assistant, Station Assigner, Facilities Assigner,
19 and Equipment Installation Technician. I remained in that last position until 2003 when I
20 went to work full time in the Union office. Over the years, the name of the company I
21 worked for changed several times -- starting with New England Telephone, and changing

1 in succession to NYNEX, Bell Atlantic, Verizon, and finally to FairPoint
2 Communications.

3 **Q. WHEN DID YOU START WORKING FOR THE UNION AND WHAT**
4 **POSITIONS HAVE YOU HELD WITH THE UNION?**

5 A. I have been active in my union since 1993 when I was appointed to the position of
6 steward and later chief steward. In 2000 I was elected as President of IBEW Local 2326.
7 In 2003 I was elected Business Manager for Local 2326. I have continued to be elected
8 to this position every 3 years to date. In 2008 Verizon sold its operations in the states of
9 Maine, New Hampshire, and Vermont to FairPoint Communications. Also in 2008, the
10 IBEW System Council T-9 was formed as a collective bargaining body for IBEW Locals
11 2320, 2326, and 2327, representing telephone workers across the three northern states. I
12 serve as Vice Chairman of that Council.

13 **Q. DO YOU HAVE SPECIFIC EXPERIENCE, EXPERTISE AND KNOWLEDGE**
14 **CONCERNING THE SUBJECTS THAT ARE CONTAINED IN YOUR**
15 **TESTIMONY?**

16 A. Yes. In the ordinary course of my work in the various positions that I have held in
17 FairPoint Communications and its predecessors, and in my work as a union official, I
18 have been in ongoing communications with all levels of management and employees of
19 New England Telephone, NYNEX, Bell Atlantic, Verizon, and FairPoint
20 Communications concerning the organization and re-organization of the operations of
21 those companies. In Montpelier, I have testified several times before Senator Vince
22 Illuzzi's Senate economic development committee on topics including broadband

1 development and FairPoint's service quality. I also serve on Congressman Peter
2 Welch's Labor Advisory Board and have helped to advise him on the standards for
3 broadband stimulus funds to be distributed to Vermont providers.

4 In some places in my testimony, I have relied on the Pre-filed Direct Testimony of Peter
5 McLaughlin, which was filed before the Maine Public Utilities Commission (Maine
6 PUC) on March 14, 2017, in the Maine PUC proceeding (Docket No. 2016-00307), in
7 which FairPoint and Consolidated are requesting approval for their proposed merger and
8 reorganization. At various places in my testimony, I am adopting portions of Mr.
9 McLaughlin's Testimony that discuss topics such as the overall possibility that
10 Consolidated can achieve certain synergies and efficiencies across FairPoint's operations
11 in its three-state NNE service territories.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 A. The purpose of my testimony is to discuss some of the operations of FairPoint
14 Communications in Vermont and to address the proposition by Consolidated
15 Communications that, two years after the close of the merger proposed in this
16 proceeding, Consolidated can achieve an annual amount of \$55 million in synergies and
17 efficiencies by making changes in operations in various parts of the company's
18 management, network and operations systems.

1 **Potential for Synergies from Union-Represented Workforce**

2 *Overview of Synergies*

3 **Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF THE PUBLIC**
4 **STATEMENTS CONSOLIDATED HAS MADE ABOUT THE SYNERGIES IT**
5 **CAN ACHIEVE AS IT INTEGRATES THE FAIRPOINT AND CONSOLIDATED**
6 **COMPANIES.**

7 A. In documents filed at the Securities and Exchange Commission, Consolidated stated that
8 it expects to generate annual operating synergies of approximately \$55.0 million by the
9 end of the second year after closing. Consolidated also has said that \$45 million of that
10 annual amount of synergies can be achieved in corporate operating costs, IT-support
11 operating costs, and network and operating efficiencies. In addition, I am advised by
12 counsel that at a technical conference that took place in Maine on February 21, 2017,
13 Consolidated publicly stated it hopes to achieve a 9% or 10% reduction in FairPoint's
14 annual operating expenses.

15 **Q. DO YOU HAVE AN OPINION ABOUT THE EXTENT OF SYNERGIES THAT**
16 **CONSOLIDATED IS SUGGESTING CAN BE ACHIEVED?**

17 A. Yes. My opinion is that it is unlikely that Consolidated can achieve synergies in
18 operating expenses in the amounts it is projecting without reducing the quality of
19 telephone service that it provides to Vermont telephone customers. I am not sure whether
20 Consolidated understands the extent of the cuts that FairPoint already has made to its
21 operations in Vermont and across its NNE service territories. I am also concerned that
22 Consolidated has been making its projections of possible "synergies" before having any

1 meaningful discussions with me or my counterparts who represent the people in the field
2 who do the work each day for FairPoint.

3 Over the past eight years FairPoint has made a series of continuing cuts in its
4 operations and employees. As a result, in its NNE areas of operations FairPoint is now
5 running a “bare-bones” operation. As employees of the telephone company, I and my
6 fellow technicians want to make sure that the company’s ability to provide safe,
7 reasonable, and adequate service is not impaired. Additional cuts in the equipment and
8 operations dedicated to installation, maintenance, and repair, or further reductions in the
9 workforce will weaken Consolidated’s ability to provide the telephone service that
10 Vermont customers deserve.

11 *Dispatch*

12 **Q. ONE AREA OF OPERATIONS THAT SOME TELECOMMUNICATIONS**
13 **COMPANIES TRY TO MAKE MORE EFFICIENT IS THE AREA OF**
14 **DISPATCH AND FIELD OPERATIONS. WHAT SORT OF CHANGES HAS**
15 **FAIRPOINT MADE IN THIS AREA?**

16 **A.** What I have observed here in Vermont is that since 2008 FairPoint has made a series of
17 changes in its operations that have had a harmful effect on its capacities to perform
18 activities in installation, maintenance, and repair. One major change has been FairPoint’s
19 elimination of the dispatch position. Six and seven years ago, dispatchers played an
20 active role in making sure that service work was performed. Throughout the day, they
21 would assign installation orders and maintenance troubles to our field technicians.
22 Dispatchers would assure that technicians were given the most up-to-date information

1 regarding the technician's job assignments – including information about such items as
2 customer reach numbers, access instructions, user identification, and passwords for DSL
3 orders/troubles. Also, dispatchers would enter incoming work into a technician's daily
4 work schedule as the orders or trouble-reports came in to company offices. Dispatchers
5 also served as a valuable resource to field technicians by assisting as those technicians
6 had questions about assigned work. For instance, dispatchers would provide needed
7 phone numbers, and would get in touch with customers, or with contact people at
8 competitive local exchange carriers (CLECs), in order to obtain pertinent information
9 required by field techs.

10 **Q. WHAT CHANGES TO THE DISPATCH FUNCTION HAVE FAIRPOINT**
11 **ALREADY MADE?**

12 A. Prior to the 2008 FairPoint take-over of Verizon NNE, dispatch in Vermont was closed,
13 and the dispatch function for Vermont was switched over to Maine. The Maine dispatch
14 center was closed in January of 2017. FairPoint now has its managers carrying out the
15 functions of the dispatch center. The result has been an increase in “down” time for field
16 technicians as they wait for managers to assign work, and as field technicians try to find
17 the needed kinds of information that are no longer provided on their installation or repair
18 tickets. Also, this new practice will quite often result in situations where technicians miss
19 commitments made either to FairPoint customers or to the company's wholesale
20 customers.

21 **Q. CAN FURTHER CUTS BE MADE IN THE AREA OF DISPATCH WITHOUT**
22 **AFFECTING THE QUALITY OF SERVICE RECEIVED BY CUSTOMERS?**

1 A. No. I certainly think not. The changes that FairPoint has made to dispatch have already
2 reduced the capacity of the company to deliver adequate and responsive service. Further
3 reductions in the dispatch function will serve only to slow down or impair the
4 technicians' efforts to install new service or to respond to and resolve the company's
5 trouble reports and its service problems as they occur.

6 *Transportation Equipment*

7 **Q. ANOTHER AREA OF OPERATIONS WHERE SOME COMPANIES TRY TO**
8 **ACHIEVE "SYNERGIES" IS BY CHANGING THE TYPES OF VEHICLES AND**
9 **EQUIPMENT IT USES IN OUTSIDE PLANT OPERATIONS. WHAT SORT OF**
10 **CHANGES HAS FAIRPOINT ALREADY MADE IN THIS AREA?**

11 A. FairPoint has made an operational decision to acquire cargo vans to replace aerial lift
12 vehicles, which are also known as "bucket trucks." Cargo vans are much less expensive
13 than bucket trucks. But those cost savings have had their own downside. They have
14 made our work on outside plant much less efficient. Many jobs in rural Vermont require
15 a bucket truck either for safety reasons, or for other reasons -- including inaccessibility to
16 a pole or to other structures such as buildings or cables. Installation and maintenance
17 work takes significantly longer to perform when working off a ladder or with gaffs than it
18 takes to perform when using a bucket truck. For instance, much of FairPoint's new
19 technology requires the removal of bridge taps (side leads in our network). Removal of
20 bridge-taps may require multiple climbs. As Pete McLaughlin pointed out in the
21 testimony that the Labor Intervenors filed in the Maine PUC proceeding, that process

1 takes a significantly greater amount of time without the use of -- or due to any delay in
2 waiting for the arrival of -- a bucket truck.

3 **Q. IN YOUR OPINION, CAN FURTHER COST SAVINGS BE ACHIEVED IN**
4 **VEHICLES OR OTHER FIELD EQUIPMENT WITHOUT AFFECTING THE**
5 **QUALITY OF SERVICE RECEIVED BY CUSTOMERS?**

6 A. No. It does not make any sense for the company to eliminate the sorts of vehicles and
7 equipment that enable technicians to perform their jobs efficiently. Changes in
8 operations that eliminate the tools and equipment that are responsible for a company's
9 efficiencies in operations certainly will not generate "synergies." In fact, those sorts of
10 changes will only reduce the company's ability to meet its time commitments and deliver
11 adequate telephone service.

12 *Field Workforce Staffing and Locations*

13 **Q. ANOTHER AREA OF OPERATIONS WHERE SOME COMPANIES TRY TO**
14 **ACHIEVE "SYNERGIES" IS BY CUTTING AND REDISTRIBUTING ITS**
15 **WORKFORCE. PLEASE DESCRIBE THE RECENT EFFORTS BY FAIRPOINT**
16 **TO SAVE MONEY BY MAKING CHANGES IN ITS OPERATIONS**
17 **WORKFORCE.**

18 A. Since 2008, the most significant changes in operations by FairPoint have been to make
19 dramatic cuts in the numbers of its installation and repair workforce. Not simply cuts in
20 field installation and repair technicians, but also reductions in other positions -- such as
21 line assigners, Central Office technicians (both in the field and in call centers), lineman,
22 construction, and dispatchers. In combination, all these positions are part of an overall

1 team that performs installation and repair work. FairPoint's cuts in those positions have
2 hurt the effectiveness and efficiencies in the level of work that team can perform.

3 **Q. PLEASE SUMMARIZE THE TASKS PERFORMED BY LINE ASSIGNERS AND**
4 **EXPLAIN WHY LINE ASSIGNERS ARE IMPORTANT TO THE**
5 **INSTALLATION OF TELEPHONE SERVICE.**

6 A. Line assigners play an important role in installation. During the process that takes place
7 when a customer orders telephone service, a line assigner will reserve a pair of wires for
8 each line or trunk ordered, office equipment and/or split banks -- depending on the type
9 of service to be provided. The role of line assigners is critical to installation because they
10 furnish this information to installers at the customer's premises and to technicians in the
11 central office. In that way, technicians are able to coordinate their installation work and
12 make the proper connections between a customer's telephone equipment and the
13 operating company's central office. If the company does not have a sufficient number of
14 line assigners available, it will not be able to respond readily to customers' requests for
15 the sorts of rapid installations and connections of new service that are expected in the
16 competitive telecommunications market that the company faces today.

17 **Q. PLEASE SUMMARIZE THE TASKS PERFORMED BY CENTRAL OFFICE**
18 **TECHNICIANS (COTs), AND EXPLAIN WHY CENTRAL OFFICE**
19 **TECHNICIANS ARE CRITICAL TO THE DELIVERY OF RELIABLE AND**
20 **EFFICIENT TELEPHONE SERVICE.**

21 A. Central Office Technicians (COTs) work inside a central office (CO). They wire and
22 maintain the complex switching and routing equipment used in voice, fiber optics, and

1 data networks. COTs typically specialize in a certain technology area -- such as switch,
2 toll or power. COTs provide maintenance and other services after the systems are
3 installed. Without a sufficient number of COTs, a company's telecommunications
4 network will deteriorate to the point where the company will not be able to efficiently
5 transmit the large volumes of data necessary for the operating company to survive in
6 today's competitive telecommunications market. Service will no longer be reliable, and
7 customers will leave the network. At this point, reductions in the numbers of COTs are
8 unlikely to generate synergies.

9 **Q. PLEASE SUMMARIZE THE TASKS PERFORMED BY OUTSIDE PLANT**
10 **TECHNICIANS (OPT), ALSO KNOWN AS TELEPHONE LINEMEN, AND**
11 **EXPLAIN WHY LINEMEN ARE CRITICAL TO THE DELIVERY OF**
12 **RELIABLE AND EFFICIENT TELEPHONE SERVICE.**

13 A. OPTs repair, replace, and relocate aerial and underground cable plant -- including copper
14 and fiber optic, transportation and distribution cable. They also repair and maintain
15 major cable systems and structures such as broken lashing wire, replacing aerial strand,
16 pole transfers, down-guys, aerial-to-underground conversion, and cable replacements
17 related to system outages, maintenance, rebuilds and emergencies or hazards. Finally,
18 linemen respond to emergency and outage situations that require heavy construction
19 capabilities. Linemen must perform all these tasks in a timely and cost-efficient manner;
20 otherwise, the operating company's service will be unreliable, and the company will lose
21 customers.

22 **Q. HAS FAIRPOINT REDUCED THE NUMBER OF OPTS IN VERMONT?**

1 A. Yes. But the situation with OPTs was not so good to start with. In the last years of
2 Verizon's ownership, it had cut a good number of OPTs in Vermont, which meant that
3 when FairPoint took over operations in 2008, it was already difficult for our line crews to
4 meet service demand in Vermont. Nevertheless, since 2011, FairPoint has reduced the
5 number of OPTs available in Vermont by an additional 11 positions, which means that
6 our line crews continue to struggle to meet service demand.

7 **Q. ARE THERE PORTIONS OF VERMONT THAT DO NOT HAVE AN**
8 **ADEQUATE NUMBER OF LINEMEN TODAY?**

9 A. Yes. The numbers of OPTs in Vermont are not enough to cover the state adequately. For
10 safety reasons, OPTs must work in teams of two people. We have garage locations today
11 with only a few OPTs, which means that field crews are constantly moved around the
12 state on order to meet demands. OPTs handle calls 24 hours a day and 7 days a week, in
13 all kinds of weather. This is the company's heavy-construction line of work. It takes up
14 to five years to master the skills and develop the knowledge to perform this sort of work
15 well. Today, if a major storm hits the state, then -- at the very time when reliable
16 telephone service is needed -- we would not be able to respond to outages and service
17 problems occurring in multiple areas with the number of crews that are needed to
18 promptly rebuild and restore telephone service.. We would need to bring in crews from
19 Maine and New Hampshire—if crews from those states were available to help us. And if
20 the storm hit those states at the same time, the workforce here in Vermont is at only a
21 "bare-bones" level today. Our numbers are such that we are not able now to address
22 situations today where poles and cables are down and in need of attention. In order to

1 provide the sorts of attention needed, more employees are needed. Therefore, it is hard to
2 understand how Consolidated might be able to achieve “synergies” by making further
3 cuts to the numbers of OPTs in the field.

4 **Q. IN YOUR OPINION, CAN FURTHER REDUCTIONS BE MADE IN THE**
5 **NUMBER OF OUTSIDE PLANT TECHNICIANS IN VERMONT WITHOUT**
6 **AFFECTING THE QUALITY OF SERVICE RECEIVED BY CUSTOMERS?**

7 A. No. Definitely not. Due to the effect that the loss of OPT positions has already had on the
8 delivery of service, it will not be possible for Consolidated to cut more OPT positions in
9 Vermont without further reducing the quality of telephone service provided to Vermont
10 customers. If Consolidated’s plans for “generating synergies” in Vermont include
11 additional reductions in the numbers of OPTs here, the company’s service performance
12 will certainly deteriorate. The only question is by how much.

13 **Q. IN YOUR OPINION, CAN CONSOLIDATED ACHIEVE SYNERGY SAVINGS**
14 **BY FURTHER REDUCING THE NUMBER OF LINE ASSIGNERS OR**
15 **CENTRAL OFFICE TECHNICIANS?**

16 A. No. Both of those positions are under-staffed today, and further cuts would have
17 negative effects on the delivery of service to customers and on public safety. For
18 instance, currently 17 central office technicians (COTs) have responsibility for taking
19 care of 77 offices. Further cuts in COT positions will reduce the company’s capacity to
20 maintain the complex switching and routing equipment that is so important to Vermont’s
21 telephone network. Similarly, line assigners are already working under a backlog. Any

1 further cuts in those positions would only make the size of the company's backlog
2 greater.

3 As for OPTs, 24 is not a sufficient number of OPTs to cover the broad areas of the
4 company's service territory in Vermont. Any further reductions in OPTs will have
5 serious consequences for the safety and reliability of our state's network. Reducing the
6 number of OPTs will result in even longer customer outages and will mean slower
7 response times in emergencies. Since 2008 FairPoint has eliminated its Derby garage
8 location, which served the state's Northeast Kingdom and other northern rural areas. The
9 delays in response time that result from fewer available OPTs and the greater distances
10 that some OPTs are required to travel will extend the durations of outages and also put an
11 extra burden on the power companies because the repair crews working for those
12 companies will have to wait longer for our telephone crews to arrive at the site of a
13 problem. In short, if Consolidated reduces the numbers of OPTs in its workforce, the
14 seven garage locations that remain in Vermont will have an even greater difficulty
15 responding to trouble reports and requests for installation.

16 *Maintenance*

17 **Q. WHETHER AS A RESULT OF REDUCTIONS IN THE WORKFORCE, OR AS**
18 **AN INTENDED PROGRAM, ANOTHER AREA OF OPERATIONS WHERE**
19 **SOME COMPANIES TRY TO ACHIEVE "SYNERGIES" IS BY CUTTING**
20 **BACK ON MAINTENANCE ACTIVITIES. WHAT SORT OF CHANGES HAS**
21 **FAIRPOINT MADE IN THIS AREA?**

1 A. As a result of the reduced levels in FairPoint's workforce in Vermont and of the
2 reductions in its equipment, the level of FairPoint's preventive maintenance has fallen
3 off. For instance, with fewer technicians available, alarms that are monitored by the
4 network operations center (NOC) in order to prevent troubles from occurring at central
5 offices and in remotes are being ignored. Here in Vermont, a significant example of this
6 problem is the maintenance of back-up batteries at remote sites. Those maintenance
7 failures have resulted in the union filing VOSHA complaints on battery maintenance, as
8 we need a form of electric power. Without power from the electric grid or from batteries,
9 Vermont's telecommunications network cannot provide telephone service. FairPoint's
10 reductions in its numbers of field technicians have resulted in the company cutting back
11 on its regular maintenance of the batteries that provide back-up electricity. As a result,
12 when commercial power is lost, those batteries will only last a fraction of the time they
13 are designed to.

14 **Q. IS IT REASONABLE FOR CONSOLIDATED TO EXPECT TO ACHIEVE**
15 **SAVINGS BY FURTHER REDUCING MAINTENANCE?**

16 A. Absolutely not. Because they have been reduced, FairPoint's existing maintenance
17 practices are already putting some of its facilities, plant and service at risk. Further
18 reductions in equipment, in the company's workforce, or in the time devoted to
19 preventive maintenance may generate small amounts of short-term savings, but will
20 certainly put the company on the road to serious service failures. When those service
21 failures occur, it will be significantly more expensive for the company to respond when
22 compared to the short-term savings.

1 In short, if Consolidated were to reduce the number of field installation and repair
2 technicians available in Vermont, its operational components such as alarms and back-up
3 batteries will receive even less maintenance and attention. At some point, when power
4 outages occur on the electric grid, FairPoint's back-up batteries will fail, and portions of
5 FairPoint's Vermont service territory will lose telephone service at the same time that
6 those areas lose electric power. No synergies will be generated in those circumstances.
7 Instead, the result will be to increase the numbers and durations of outages and to put the
8 safety of Vermont's telephone customers at risk.

9 *Splice Service Technicians*

10 **Q. PLEASE DESCRIBE THE SORTS OF TASKS PERFORMED BY FAIRPOINT'S**
11 **SPLICE SERVICE TECHNICIANS (SSTS).**

12 **A.** While OPTs are the people who build and maintain the outside backbone network (poles,
13 conduits, cables), Splice Service Technicians (SSTs) are responsible for the facilities that
14 connect the backbone to customers. This work includes tasks such as installing or
15 repairing service to a customer; splicing copper and fiber optic cables; wiring electronics
16 cabinets that provide DSL, T-1's, dial tone, and other special services; installing,
17 repairing, and maintaining data transport technologies, including voice and internet
18 services; and splicing operations in connection with the installation, rearrangement, and
19 repair of plant facilities.

20 **Q. PLEASE DESCRIBE FAIRPOINT'S REDUCTIONS IN THE NUMBERS OF ITS**
21 **SSTS.**

1 A. In July of 2015, there were 124 SSTs in Vermont. In November of 2016, there were 116
2 SSTs. Currently there are 114 SSTs.

3 **Q. CAN CONSOLIDATED ACHIEVE SYNERGIES IN ITS OPERATIONS BY**
4 **FURTHER CUTTING THE NUMBER OF SSTS THAT WORK IN VERMONT?**

5 A. No. As I have outlined above, the tasks that SSTs perform are so critical -- both to the
6 maintenance and repair of the company's network and to the continued growth of the
7 company's business -- that any further reductions in the numbers of SSTs in Vermont
8 will prevent the company from being able to provide the reliable and up-to-date service
9 and current technologies needed to retain and grow the company's customer base.
10 Without a sufficient number of SSTs, the condition of the company's network will
11 deteriorate, and Consolidated will find itself in a position where it is playing "catch-up"
12 in providing adequate service and attracting new customers.

13 *Summary of Synergy Potential from Union-Represented Employees*

14 **Q. CAN YOU ESTIMATE THE OVERALL NUMBER OF EMPLOYEES THAT**
15 **FAIRPOINT HAS CUT IN VERMONT SINCE THE ANNOUNCEMENT OF**
16 **FAIRPOINT STARTED TO PROVIDE TELEPHONE SERVICE IN VERMONT?**

17 A. Yes. In September of 2007, there were 399 NNE bargained-for employees in Vermont.
18 There are now only 191 IBEW employees in FairPoint's Vermont telephone operations.

19 **Q. IS IT POSSIBLE FOR CONSOLIDATED TO "STREAMLINE" FAIRPOINT'S**
20 **VERMONT TELEPHONE OPERATIONS IN WAYS THAT WILL FURTHER**

1 **REDUCE OPERATIONS EXPENSES WITHOUT REDUCING THE QUALITY**
2 **OF TELEPHONE SERVICE THAT VERMONT CUSTOMERS RECEIVE?**

3 A. No. In recent years it has been increasingly difficult for FairPoint to deliver service
4 efficiently to its Vermont telephone customers. As I have described above, the changes
5 in FairPoint's operations systems, the elimination of the Derby garage location, and the
6 reduction in the numbers of OPTs and SSTs in Vermont mean that it now takes longer for
7 FairPoint to marshal the equipment and technicians necessary to meet the company's
8 needs for repair, maintenance, and installations. In this proceeding Consolidated has not
9 publicly identified the specific areas that it is targeting for changes in order to generate its
10 estimated millions of dollars in "synergies." Nevertheless, it is difficult to accept that
11 further "synergies" in field operations or other customer-facing activities here in Vermont
12 are going to result in improvements to the company's delivery of telephone service.

13 **Conclusions and Recommendations**

14 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS**
15 **TO THE BOARD IN THIS CASE.**

16 A. I cannot accept Consolidated's suggestion that, after the merger, it can generate millions
17 of dollars in synergies by cutting its operating costs. It is certainly possible that
18 Consolidated may "generate" some small short-term savings by changes or reductions in
19 its Vermont operations, but those savings will come only at the cost of reducing the
20 quality of telephone service that Consolidated provides to its Vermont customers, and
21 ultimately at the cost of losing those customers. Those types of losses do not constitute
22 "synergies."

1 I recommend that the Board seriously question Consolidated's estimate of the
2 synergies that it will be able to generate after close of the merger. To protect the level of
3 service quality provided to our Vermont customers, I recommend that, if the Board
4 decides to approve the proposed merger, that it impose as a condition of its approval the
5 following: If Consolidated plans to generate synergies by further cuts in its operations
6 and workforce in Vermont, then Consolidated should be required to submit plans to the
7 Board showing that its reductions in workforce and operations will not have an adverse
8 effect on the reliability and safety of its telephone service here in Vermont.

9 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10 **A. Yes.**

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

NORTHERN NEW ENGLAND TELEPHONE
OPERATIONS LLC d/b/a FAIRPOINT
COMMUNICATIONS-NNE

Request for Approval of Reorganization
Docket No. 2016-00307

**PRE-FILED DIRECT TESTIMONY OF PETER MCLAUGHLIN
ON BEHALF OF LABOR INTERVENORS**

March 14, 2017

Table of Contents

Introduction.....	1
Potential for Synergies from Union-Represented Workforce	3
<i>Overview of Synergies.....</i>	<i>3</i>
<i>Dispatch.....</i>	<i>5</i>
<i>Transportation Equipment.....</i>	<i>6</i>
<i>Field Workforce Staffing and Locations.....</i>	<i>7</i>
<i>Maintenance.....</i>	<i>14</i>
<i>Splice Service Technicians.....</i>	<i>15</i>
<i>Operators and Customer Service Representatives</i>	<i>17</i>
<i>Summary of Synergy Potential from Union-Represented Employees.....</i>	<i>19</i>
Conclusions and Recommendations.....	21

1 **Introduction**

2 **Q. PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.**

3 A. My name is Peter McLaughlin, and my business address is IBEW Local 2327, 21 Gabriel
4 Dr., Augusta ME. 04330.

5 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

6 A. I am currently the Business Manager for the International Brotherhood of Electrical
7 Workers (IBEW) Local 2327 in Augusta, Maine. I also serve as the Chair of the IBEW
8 System Council T-9 (SCT-9), which is the collective bargaining body of IBEW Locals
9 2320, 2326 and 2327. The SCT-9 represents telephone workers across the 3 northern
10 states of Maine, New Hampshire and Vermont.

11 **Q. PLEASE OUTLINE YOUR HISTORY AND EXPERIENCE WORKING AS A**
12 **TELEPHONE-COMPANY EMPLOYEE.**

13 A. I was hired by New England Telephone Company (NET) in June of 1983 where I worked
14 in Augusta, Maine, as an installation and repair technician (IRT). In 1984 with the
15 divestiture of AT&T I remained with NET, which became NYNEX, one of the "Baby
16 Bell" companies. Shortly after divestiture, I was transferred to Machias where I worked
17 as a IRT until 1992. The position of IRT was renamed Splice Service Technician (SST)
18 in 1986. In 1992 I transferred to Waterville and became an Outside Plant Technician
19 (OPT). In 1993 I received my rating as Head OPT and remained as an HOPT until 1997.
20 In 1997 I became a Safety Coordinator for Northern Maine and remained in that position
21 until 1999 when I went to work full time in the Union office. Also in 1997 NYNEX
22 merged with Bell Atlantic, and the company assumed the name Bell Atlantic.

1 **Q. WHEN DID YOU START WORKING FOR THE UNION AND WHAT**
2 **POSITIONS HAVE YOU HELD WITH THE UNION?**

3 A. I have been active in my union since 1985 when I became a Unit representative and later
4 was elected as Vice President of Local 2327. I have also held the positions of steward and
5 chief steward. In 1999 I took on a full-time position of Assistant Business Manager for
6 Local 2327. In 2000 Bell Atlantic acquired GTE and changed the business name to
7 Verizon. In 2002 I was elected to the position of Business Manager of IBEW Local 2327
8 and have continued to be elected to this position every 3 years to date. In 2008 Verizon
9 sold the Northern states of Maine, New Hampshire and Vermont operations to FairPoint
10 Communications. Also in 2008, the IBEW System Council T-9 was formed as a
11 collective bargaining body for IBEW Locals 2320, 2326, and 2327, representing
12 telephone workers across the three northern states. I serve as Chairman of that Council.

13 **Q. DO YOU HAVE SPECIFIC EXPERIENCE, EXPERTISE AND KNOWLEDGE**
14 **CONCERNING THE SUBJECTS THAT ARE CONTAINED IN YOUR**
15 **TESTIMONY?**

16 A. Yes. In the ordinary course of my work as an SST, as a Head OPT for Maine's various
17 telephone companies, in my work as Assistant Business Manager and Business Manager,
18 I have been in ongoing communications with all levels of management and employees of
19 New England Telephone, NYNEX, Bell Atlantic, Verizon, and FairPoint
20 Communications concerning the organization and re-organization of the operations of
21 those companies. Also, I was present at the Public Utilities Commission in a technical
22 conference held on May 18, 2015, concerning FairPoint's service-quality performance.

1 During the most recent sessions of the Maine Legislature, I was also involved in the
2 legislative process that established the current Service Quality Indexes.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. The purpose of my testimony is to review some of the operations of FairPoint
5 Communications in Maine as well as to address the suggestion by Consolidated
6 Communications that, two years after the close of the merger proposed in this
7 proceeding, Consolidated can achieve \$55 million in synergies and efficiencies by
8 making changes in operations in various parts of company's management, network and
9 operations systems.

10 **Potential for Synergies from Union-Represented Workforce**

11 *Overview of Synergies*

12 **Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF THE PUBLIC**
13 **STATEMENTS CONSOLIDATED HAS MADE ABOUT THE SYNERGIES IT**
14 **CAN ACHIEVE AS IT INTEGRATES THE FAIRPOINT AND CONSOLIDATED**
15 **COMPANIES.**

16 A. In documents filed at the Securities and Exchange Commission, Consolidated stated that
17 it expects to generate annual operating synergies of approximately \$55.0 million by the
18 end of the second year after closing.¹ Consolidated also has said that \$45 million of that
19 annual amount of synergies can be achieved in corporate operating costs, IT-support
20 operating costs, and network and operating efficiencies.² In addition, at the technical

¹ IBEWL-001-003, Attachment 4, Page 53 of 300.

² OPA-003-017, Attachment 2, Page 12.

1 conference that took place in this proceeding on February 21, 2017, Consolidated stated it
2 hopes to achieve a 9% or 10% reduction in FairPoint's annual operations expenses
3 (OPEX).³

4 **Q. DO YOU HAVE AN OPINION ABOUT THE EXTENT OF SYNERGIES THAT**
5 **CONSOLIDATED IS SUGGESTING CAN BE ACHIEVED?**

6 A. Yes. My opinion is that it will be difficult for Consolidated to achieve synergies in
7 operating expenses in the amounts it is projecting without reducing the quality of
8 telephone service to Maine telephone customers. I am not sure if Consolidated
9 understands the extent of the cuts that FairPoint already has made. This is especially true
10 since it seems that Consolidated's estimate was made without meeting with anyone at
11 FairPoint below the executive level,⁴ and Consolidated still has not had any meaningful
12 discussions with me or my counterparts representing the people in the field who do the
13 work each day at FairPoint.

14 In the past eight years FairPoint has made many cuts in operations and employees,
15 and as a result, FairPoint is now running a "bare-bones" operation. As employees of the
16 telephone company, we want to make sure that the company's ability to provide safe,
17 reasonable, and adequate service is not impaired. Additional cuts in the equipment and
18 operations dedicated to installation, maintenance, and repair, or further reductions in the
19 workforce will only weaken Consolidated's ability to provide the telephone service that
20 Maine customers deserve.

³ Transcript of 2/21/2017 Technical Conference, pp. 121-122.

⁴ Transcript of 2/21/2017 Technical Conference, pp. 74 and 90-91.

1 *Dispatch*

2 **Q. ONE AREA OF OPERATIONS THAT SOME TELECOMMUNICATIONS**
3 **COMPANIES TRY TO MAKE MORE EFFICIENT IS THE AREA OF**
4 **DISPATCH AND FIELD OPERATIONS. WHAT SORT OF CHANGES HAS**
5 **FAIRPOINT MADE IN THIS AREA?**

6 A. Since 2008 FairPoint has made a number of changes in operations that have had a
7 negative impact regarding installation, maintenance, and repair. A major change was the
8 elimination of the dispatch position. Before FairPoint took over operations in Maine,
9 dispatchers would assign installation orders and maintenance troubles to field technicians
10 throughout the day. Dispatchers would assure that technicians were given the most up-
11 to-date and available information regarding their job assignments, such as customer reach
12 numbers, access instructions, user identification and passwords for DSL orders/troubles.
13 Dispatchers would also put incoming work into a technician's daily work schedule as the
14 orders or troubles came in. Dispatchers also provided a valuable resource to field
15 technicians by assisting as questions arose about assigned work, such as providing
16 necessary phone numbers, and contacting CLECs or customers regarding pertinent
17 information required by field techs.

18 **Q. WHAT CHANGES TO THE DISPATCH FUNCTION HAVE FAIRPOINT**
19 **ALREADY MADE?**

20 A. FairPoint began to make operational changes in dispatch by eliminating the night tour.
21 FairPoint then eliminated Sunday coverage in Dispatch, and finally eliminated the
22 position all together in January of 2017. FairPoint now has its managers performing the
23 functions of the dispatch center, which has resulted in down time for field technicians as

1 they wait for managers to assign the work, and as field technicians try to find necessary
2 information that is no longer provided on their installation or repair tickets. This new
3 practice also results in technicians missing commitments made to FairPoint customers as
4 well as commitments made to FairPoint's wholesale customers.

5 **Q. CAN FURTHER CUTS BE MADE IN THE AREA OF DISPATCH WITHOUT**
6 **AFFECTING THE QUALITY OF SERVICE RECEIVED BY CUSTOMERS?**

7 A. No. The changes that FairPoint has made to dispatch have already reduced the capacity
8 of the company to deliver adequate service. Further reductions in the dispatch function
9 will serve only to disrupt and impair the efforts of employees to tackle the company's
10 trouble reports and service problems.

11 *Transportation Equipment*

12 **Q. ANOTHER AREA OF OPERATIONS WHERE SOME COMPANIES TRY TO**
13 **ACHIEVE "SYNERGIES" IS BY CHANGING THE TYPES OF VEHICLES AND**
14 **EQUIPMENT IT USES IN OUTSIDE PLANT OPERATIONS. WHAT SORT OF**
15 **CHANGES HAS FAIRPOINT ALREADY MADE IN THIS AREA?**

16 A. FairPoint has made an operational decision to acquire cargo vans to replace aerial lift
17 vehicles. Cargo vans are much less expensive than aerial lift vehicles ("bucket trucks"),
18 but that cost savings has made our field work much less efficient. Many jobs in rural
19 Maine, New Hampshire and Vermont require an aerial lift vehicle either for safety
20 reasons, or for other reasons including inaccessibility to a pole or other structures such as
21 buildings or cables. Installation and maintenance work also takes significantly longer
22 when working off of a ladder or gaffs than it does when working out of a bucket truck.

1 Much of FairPoint's new technology requires the removal of bridge taps (side leads in
2 our network) to function properly. Bridge-tap removal may require multiple climbs, and
3 hence that process is significantly slowed without the use of, or due to any delay in
4 waiting for the arrival of, a bucket truck.

5 **Q. IN YOUR OPINION, CAN FURTHER COST SAVINGS BE ACHIEVED IN**
6 **VEHICLES OR OTHER FIELD EQUIPMENT WITHOUT AFFECTING THE**
7 **QUALITY OF SERVICE RECEIVED BY CUSTOMERS?**

8 A. No. It makes no sense for the company to eliminate the sorts of vehicles and equipment
9 that enable technicians to perform their jobs efficiently. Changes in operations that
10 eliminate the very components that are responsible for a company's efficiencies in
11 operations will not generate "synergies," and in fact will only reduce the company's
12 ability to deliver adequate telephone service.

13 *Field Workforce Staffing and Locations*

14 **Q. ANOTHER AREA OF OPERATIONS WHERE SOME COMPANIES TRY TO**
15 **ACHIEVE "SYNERGIES" IS BY CUTTING AND REDISTRIBUTING ITS**
16 **WORKFORCE. PLEASE DESCRIBE THE RECENT EFFORTS BY FAIRPOINT**
17 **TO SAVE MONEY BY MAKING CHANGES IN ITS OPERATIONS**
18 **WORKFORCE.**

19 A. The most significant operational change since 2008 has been the dramatic cuts to the
20 installation and repair workforce. Not just field installation and repair technicians, but
21 other positions – such as line assigners, Central Office technicians (both in the field and

1 in call centers), lineman, construction, and dispatchers -- are all part of the team
2 necessary to perform installation and repair work.

3 **Q. PLEASE SUMMARIZE THE TASKS PERFORMED BY LINE ASSIGNERS AND**
4 **EXPLAIN WHY LINE ASSIGNERS ARE IMPORTANT TO THE**
5 **INSTALLATION OF TELEPHONE SERVICE.**

6 A. During the process of ordering telephone service, a line assigner will reserve depending
7 on the type of service a pair of wires for each line or trunk ordered, office equipment
8 and/or split banks. Line assigners are critical to the installation of telephone service
9 because they furnish this information to installers at the customer's premises and to
10 technicians in the central office. In this way technicians can coordinate their installation
11 work and make the proper connections between the customer's telephone equipment and
12 the operating company's central office. If the company does not employ a sufficient
13 number of line assigners, it will not be able to respond to customers' requests for the
14 rapid installations and connections of new service that are expected in today's
15 competitive telecommunications market.

16 **Q. PLEASE SUMMARIZE THE TASKS PERFORMED BY CENTRAL OFFICE**
17 **TECHNICIANS (COTs), AND EXPLAIN WHY CENTRAL OFFICE**
18 **TECHNICIANS ARE CRITICAL TO THE DELIVERY OF RELIABLE AND**
19 **EFFICIENT TELEPHONE SERVICE.**

20 A. Central Office Technicians (COTs) work inside a central office (CO). They wire and
21 maintain the complex switching and routing equipment used in voice, fiber optics, and
22 data networks. COTs typically specialize in a certain technology area -- such as switch,

1 toll or power. COTs provide maintenance and other services after the systems are
2 installed. Without a sufficient number of COTs, a company's telecommunications
3 network will deteriorate to the point where the company will not be able to efficiently
4 transmit the large volumes of data necessary for the operating company to survive in
5 today's competitive telecommunications market. Service will no longer be reliable, and
6 customers will leave the network. Hence, reductions in the numbers of COTs are
7 unlikely to generate synergies.

8 **Q. PLEASE SUMMARIZE THE TASKS PERFORMED BY OUTSIDE PLANT**
9 **TECHNICIANS (OPT), ALSO KNOWN AS TELEPHONE LINEMEN, AND**
10 **EXPLAIN WHY LINEMEN ARE CRITICAL TO THE DELIVERY OF**
11 **RELIABLE AND EFFICIENT TELEPHONE SERVICE.**

12 A. OPTs repair, replace, and relocate aerial and underground cable plant -- including copper
13 and fiber optic, transportation and distribution cable. They also repair and maintain
14 major cable systems and structures such as broken lashing wire, replacing aerial strand,
15 pole transfers, down-guys, aerial-to-underground conversion, and cable replacements
16 related to system outages, maintenance, rebuilds and emergencies or hazards. Finally,
17 linemen respond to emergency and outage situations that require heavy construction
18 capabilities. Linemen must perform all these tasks in a timely and cost-efficient manner;
19 otherwise, the operating company's service will be unreliable, and the company will lose
20 customers.

21 **Q. HAS FAIRPOINT REDUCED THE NUMBER OF OPTS IN MAINE?**

1 A. Yes. In April of 2013, FairPoint had 50 OPTs in Maine. In July of 2015, there were 45
2 OPTs. In November of 2016, there were 40. Currently there are 38 OPTs in Maine. In
3 other words, since April 2013, the number of OPTs available to address the company's
4 service problems has been reduced by 24%, and those OPTs are now required to serve
5 broader areas of the company's service territory.

6 **Q. ARE THERE PORTIONS OF MAINE THAT DO NOT HAVE AN ADEQUATE**
7 **NUMBER OF LINEMEN TODAY?**

8 A. Yes. The 38 OPTs we have are not enough to cover the state adequately. For safety
9 reasons, OPTs must work in teams of two people. We have garage locations today with
10 only one OPT, which makes it inefficient for work to be done without having another
11 OPT travel to the work site from a different garage or transferring people in from other
12 titles. For example, we currently have just one OPT in Rockland. The next closest OPT
13 is based in the Waterville garage, more than an hour away.

14 Another example is the "triangle" formed in northern Maine from Presque Isle to
15 Bangor to Machias, an area I would estimate as more than 7,000 square miles. This area
16 was formed when FairPoint closed garages in Houlton and Calais. If any work needs to
17 be done in this part of the state, such as repairing a damaged telephone pole, responding
18 to reports of downed cables, or replacing a damaged cabinet, linemen may have to travel
19 hours just to respond to the emergency.

20 With the drastic cuts to the workforce that have taken place, it already takes a
21 much longer time now for FairPoint and its employees to accomplish the same amount of
22 work than it took before the reductions in force. Customers face longer wait times for

1 services they have ordered, or repairs to services they already have. Technicians face
2 delays in work they are trying to perform, or delays for work they need to perform – all
3 of which result in delays to our customers.

4 **Q. HOW MANY GARAGE CLOSINGS HAVE OCCURRED IN THE LAST NINE**
5 **YEARS?**

6 A. When FairPoint acquired the former Verizon properties in 2008, there were garages
7 serving Maine customers that were located in 16 municipalities, as follows: Kennebunk,
8 Portland, Lewiston, Brunswick, Augusta, Farmington, Rockland, Waterville, Bangor,
9 Dover-Foxcroft, Ellsworth, Machias, Calais, Millinocket, Houlton, and Presque Isle. In
10 recent years, FairPoint has closed the following six garages:

- 11 • Farmington garage -- which served the areas of Farmington and Rangeley – with the
12 result that the nearest geographic locations for OPTs is either Lewiston or Waterville.
- 13 • Calais garage – with the result that the nearest geographic location where OPTs are
14 based is Machias;
- 15 • Houlton garage – with the result that the nearest geographic locations where OPTs are
16 available are Presque Isle, Bangor or Machias;
- 17 • Millinocket garage - with the result that the nearest geographic locations where OPTs
18 are available are Presque Isle or Bangor;
- 19 • Augusta garage – with the result that the nearest geographic location where OPTs are
20 available is Waterville.
- 21 • Brunswick garage - with the result that the nearest geographic location where OPTs
22 are available is Lewiston.

23 **Q. WHAT HAS BEEN THE EFFECT OF THOSE GARAGE CLOSINGS?**

24 A. Overall, by reducing the numbers of its garage locations from 16 to 10, FairPoint has
25 increased the amount of time and distance that FairPoint's OPTs are required to drive in

1 order to address service problems, to maintain FairPoint's facilities, and to meet its
2 commitments to installation dates and repair dates. The result generally has been that
3 there are now fewer linemen available over a larger geographical service area, which
4 means that when service problems occur, fewer OPTs are available to address problems,
5 and it takes longer for those OPTs to drive to the site of the service problem.

6 **Q. IN YOUR OPINION, CAN FURTHER REDUCTIONS BE MADE IN THE**
7 **NUMBER OF GARAGE LOCATIONS IN MAINE WITHOUT AFFECTING THE**
8 **QUALITY OF SERVICE RECEIVED BY CUSTOMERS?**

9 A. No. Because of the effect that the closings of garages have already had on the delivery of
10 service, it will not be possible for Consolidated to cut additional garage locations in
11 Maine without further reducing the quality of telephone service provided to Maine
12 customers. If part of Consolidated's plans for synergies include further garage closings,
13 the company's service performance will certainly deteriorate. The only question is by
14 how much.

15 As noted by the Labor Intervenors' other witness, Randy Barber, Consolidated
16 has not taken the time to develop any detailed understanding of FairPoint's actual
17 operations in Maine, other than as those operations may be reflected in financial analysis.
18 That means that Consolidated is not familiar with the extent to which FairPoint has
19 already been cutting the numbers of garage locations and field technicians in the state. In
20 part, that is because, to date, Consolidated's communications with FairPoint have been
21 only at the level of corporate leadership and have not involved conversations with
22 FairPoint managers on the state level. Furthermore, to date, the unions have not been

1 able to engage in discussions with Consolidated on workforce or other operational
2 concerns. Hence, until Consolidated carries out such investigations and understands both
3 the challenges of providing adequate service in Maine and the already low levels of
4 equipment and technicians now available, Consolidated has no way of knowing whether
5 its estimated \$55 million in “synergies” can actually be achieved.

6 **Q. IN YOUR OPINION, CAN CONSOLIDATED ACHIEVE SYNERGY SAVINGS**
7 **BY FURTHER REDUCING THE NUMBER OF LINE ASSIGNERS, CENTRAL**
8 **OFFICE TECHNICIANS, OR OPTS?**

9 A. No. All of those positions are under-staffed today and further cuts would have negative
10 effects on customers and public safety. For instance, cuts in the number of COTs will
11 reduce the company’s capacity to maintain the complex switching and routing equipment
12 that is so important to Maine’s telephone network. Similarly, line assigners are already
13 working under a backlog and further cuts would only make it worse.

14 As for OPTs, 38 is not a sufficient number of OPTs to cover the broad areas of the
15 company’s service territory in Maine. Any further reductions in OPTs will have serious
16 consequences for the safety and reliability of FairPoint's network. Reducing the number
17 of OPTs would result in even longer customer outages and slower response times to
18 emergencies. The delays in response time that result from fewer garage locations and
19 fewer available OPTs not only extend the durations of outages but also put an extra
20 burden on the power companies as they have to wait longer for our crews to get to the
21 site. Furthermore, if Consolidated reduces the numbers of OPTs in its workforce, the ten

1 garage locations that remain will have an even greater difficulty responding to trouble
2 reports and requests for installation.

3 Also, neighboring garages from which additional help might be summoned are
4 now further away and are often overwhelmed due to the shortage of available OPTs. A
5 further consequence is that, as line crews are assigned to the next hottest job, due to the
6 shortage of OPTs, broken poles from storm or vehicle accidents are frequently left
7 behind, causing dual pole situations as well as safety hazards.

8 *Maintenance*

9 **Q. WHETHER AS A RESULT OF REDUCTIONS IN THE WORKFORCE, OR AS**
10 **AN INTENDED PROGRAM, ANOTHER AREA OF OPERATIONS WHERE**
11 **SOME COMPANIES TRY TO ACHIEVE “SYNERGIES” IS BY CUTTING**
12 **BACK ON MAINTENANCE ACTIVITIES. WHAT SORT OF CHANGES HAS**
13 **FAIRPOINT MADE IN THIS AREA?**

14 **A.** Given FairPoint’s reduced levels of the workforce and its reductions in equipment, the
15 level of FairPoint’s preventive maintenance has fallen off. For instance, with fewer
16 technicians available, alarms that are monitored by the network operations center (NOC)
17 in order to head off trouble for central offices and remotes are being ignored. One
18 significant example of this is the maintenance of back-up batteries at remote sites. As the
19 Commission is aware, in order for the telephone network to operate, it must have some
20 form of electric power. Without power from the electric grid or from batteries, the
21 network cannot provide telephone service. FairPoint’s recent reductions in its field
22 technicians have led the company to cut back on the regular maintenance of the batteries

1 that provide back-up electricity. Indeed, maintenance of batteries has dropped off
2 significantly. As a result, when commercial power is lost, these batteries will only last a
3 fraction of the time they are designed to.

4 **Q. IS IT REASONABLE FOR CONSOLIDATED TO EXPECT TO ACHIEVE**
5 **SAVINGS BY FURTHER REDUCING MAINTENANCE?**

6 A. Absolutely not. FairPoint's existing maintenance practices already are putting some of its
7 facilities, plant and service at risk. Further reductions in equipment, in the workforce, or
8 in the time devoted to preventive maintenance may generate a small amount of short-term
9 savings, but will certainly put the company on the road to serious service failures. When
10 those service failures occur, it will be much more expensive to respond to them when
11 compared to the short-term savings.

12 So here, if Consolidated were to reduce the number of field installation and repair
13 technicians available in Maine, its operational components such as alarms and back-up
14 batteries will receive even less maintenance and attention. At some point, when power
15 outages occur on the electric grid, FairPoint's back-up batteries will fail, and portions of
16 FairPoint's service territory will lose telephone service at the same time that those areas
17 lose electric power. No synergies will be generated in those circumstances. Instead, the
18 result will be to put the safety of customers at risk.

19 *Splice Service Technicians*

20 **Q. PLEASE DESCRIBE THE SORTS OF TASKS PERFORMED BY FAIRPOINT'S**
21 **SPLICE SERVICE TECHNICIANS (SSTS).**

1 A. Where OPTs build and maintain the outside backbone network (poles, conduits, cables),
2 Spice Service Technicians (SSTs) are responsible for the facilities that connect the
3 backbone to customers. This includes tasks such as installing or repairing service to a
4 customer; splicing copper and fiber optic cables; wiring electronics cabinets that provide
5 DSL, T-1's, dial tone, and other special services; installing, repairing, and maintaining
6 data transport technologies, including voice and internet services; and splicing operations
7 in connection with the installation, rearrangement, and repair of plant facilities.

8 **Q. PLEASE DESCRIBE FAIRPOINT'S REDUCTIONS IN THE NUMBERS OF ITS**
9 **SSTS.**

10 A. In July of 2015, there were 218 SSTs in Maine. In November of 2016, there were 182, or
11 a decline of 16.5%. Currently there are 170 SSTs. That means that in December 2016,
12 FairPoint reduced the numbers of the company's SSTs by an additional 7%. Overall,
13 FairPoint has reduced its SST count by 22% in the past 20 months.

14 **Q. CAN CONSOLIDATED ACHIEVE SYNERGIES IN ITS OPERATIONS BY**
15 **FURTHER CUTTING THE NUMBER OF SSTS THAT WORK IN MAINE?**

16 A. No. As outlined above, the tasks that SSTs perform are so critical -- both to the
17 maintenance and repair of the company's network and to the continued growth of the
18 company's business -- that further reductions in the SST workforce will prevent the
19 company from being able to provide the reliable and up-to-date service and technologies
20 needed to retain and increase its customer base. Without a sufficient number of SSTs, the
21 condition of the company's network will deteriorate, and Consolidated will find itself in a

1 position where it is playing "catch-up" in providing adequate service and attracting new
2 customers.

3 *Operators and Customer Service Representatives*

4 **Q. DOES FAIRPOINT HAVE ANY UNION-REPRESENTED CALL CENTER**
5 **EMPLOYEES IN MAINE?**

6 A. Yes. IBEW represents 18 people in Portland who work as operators. The technical job
7 function is known as Operator Services / Directory Assistance (OS/DA). These are the
8 people who perform the typical functions we think of for telephone operators: the person
9 who answers when you dial 0, make a collect call, or speaks to a live person when calling
10 directory assistance. Those 18 people in Portland staff the OS/DA function 24 hours per
11 day, 7 days per week providing OS/DA services for Maine, New Hampshire, and
12 Vermont.

13 In addition, IBEW represents 120 Customer Service Representatives (CSR) in
14 Portland who provide service for business and enterprise-level (very large business)
15 customers throughout Northern New England. Those 120 people in Portland also are in
16 the process of transitioning to provide similar services to customers of what is known as
17 "FairPoint Classic" -- that is, the telephone companies FairPoint owned before its 2008
18 acquisition of Verizon's Northern New England properties.

19 Finally, the Communications Workers of America (CWA) represents 142 CSRs
20 serving the residential markets in Maine, New Hampshire, and Vermont. In Maine the
21 CWA-represented CSRs are located in Bangor and Portland.

1 **Q. HAS FAIRPOINT REDUCED THE NUMBER OF OS/DA AND CSR**
2 **EMPLOYEES SINCE IT ACQUIRED THE NORTHERN NEW ENGLAND**
3 **TERRITORY?**

4 A. Yes. At the time FairPoint acquired the Verizon territories, FairPoint stated that it would
5 be adding hundreds of call center employees in Northern New England in order to handle
6 calls that Verizon had been handling in centers throughout New England. For instance in
7 2010 there were 51 operators in the Maine, New Hampshire and Vermont. FairPoint
8 closed its OS/DA center in Vermont and subsequently closed the OS/DA center in New
9 Hampshire leaving the lone OS/DA center in Portland with 18 operators to service the 3
10 state region 24 hours a day 7 days a week. This is a 65% reduction in that department.

11 Similarly, in the IBEW Service Representative title, after the closure of the
12 Burlington Vermont center, FairPoint moved all of the IBEW sales work to Portland,
13 Maine, resulting in about a 20% headcount reduction in that title.

14 **Q. CAN CONSOLIDATED ACHIEVE SAVINGS BY REDUCING THE NUMBER**
15 **OF OS/DA AND CSR EMPLOYEES IN MAINE?**

16 A. No. There are three reasons for this. First, these employees are providing an essential
17 function that cannot be eliminated. Second, FairPoint has stopped losing a substantial
18 number of customers. The remaining customers require access to OS/DA and CSR
19 services. Third, our collective bargaining agreement with FairPoint prohibits FairPoint
20 from moving more than 0.9% per contract year of jobs outside of Northern New England.
21 Consolidated and FairPoint have stated that Consolidated will honor our collective
22 bargaining agreement and the union-represented employees "will essentially be in the

1 same position post-closing as they are in today."⁵ As a result, Consolidated will be bound
2 by the provision in our contract that prevents the relocation of essentially all call center
3 work out of Maine.

4 *Summary of Synergy Potential from Union-Represented Employees*

5 **Q. CAN YOU ESTIMATE THE OVERALL NUMBER OF EMPLOYEES THAT**
6 **FAIRPOINT HAS CUT SINCE THE ANNOUNCEMENT OF FAIRPOINT'S**
7 **PLANS TO ACQUIRE THE FORMER VERIZON PROPERTIES?**

8 A. Yes. In September of 2007, there were 907 NNE bargained for employees in Maine. We
9 are now down to 512 IBEW employees. While FairPoint's revenues have indeed
10 declined, the numbers of NNE bargained for employees have declined at a markedly
11 greater pace. FairPoint's re-stated September quarter 2007 revenues (to incorporate NNE
12 revenues) were \$306.3 million. Those revenues declined to \$203.9 million for the
13 December 2016 quarter, a revenue drop of 33%. This compares to a 43% decline in NNE
14 bargained for employees during the same period.

15 **Q. IS IT POSSIBLE FOR CONSOLIDATED TO "STREAMLINE" FAIRPOINT'S**
16 **MAINE TELEPHONE OPERATIONS IN WAYS THAT WILL FURTHER**
17 **REDUCE OPERATIONS EXPENSES WITHOUT REDUCING THE QUALITY**
18 **OF TELEPHONE SERVICE THAT MAINE CUSTOMERS RECEIVE?**

19 A. No. In recent years it has become increasingly difficult for FairPoint to deliver service
20 efficiently to its telephone customers in Maine. As I have described above, the changes
21 in FairPoint's operations systems, the reductions in the number of FairPoint garage
22 locations, and the reduction in the numbers of FairPoint OPTs and SSTs mean that it now

⁵ Direct Testimony of Michael Reed, p. 14.

1 takes longer for FairPoint to marshal the equipment and technicians necessary to meet the
2 company's needs for repair, maintenance, and installations. In this proceeding
3 Consolidated has not publicly identified the specific areas that it is targeting for changes
4 in order to generate its estimated millions of dollars in "synergies." Nevertheless, it is
5 difficult to accept that further "synergies" in field operations or other customer-facing
6 activities are going to result in improvements to the company's delivery of telephone
7 service. As noted recently by the Hearing Examiner, "'synergies' and 'efficiencies' are
8 another way to say 'downsizing,'" and "[d]ownsizing is a common and often inevitable
9 consequence of any merger of this magnitude..."⁶ I do not know if Consolidated plans
10 any of that downsizing to affect FairPoint's field workforce, CSRs, or OS/DAs, but if
11 Consolidated thinks it can make further cuts in those areas, it is sorely mistaken. Any
12 further cuts in those functions will hurt the company's capacity to deliver adequate
13 service and seriously impact customers. At the February 21 technical conference,
14 Consolidated suggested that it is reasonable to assume that it can achieve a 9% or 10%
15 further reduction in its annual Maine operations expenses (OPEX). Given what we know
16 about the "bare-bones" nature of FairPoint's current systems and operations, additional
17 reductions of 9% or 10% in the company's equipment and employees can only damage
18 the quality of telephone service that Consolidated will deliver to Maine customers.

⁶ Northern New England Telephone Operations LLC d/b/a FairPoint Communications-NNE; Request for Approval of Reorganization; MPUC Docket No. 20016-00307; Procedural Order (March 7, 2017).

1 **Conclusions and Recommendations**

2 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS**
3 **TO THE COMMISSION IN THIS CASE.**

4 A. I cannot accept Consolidated's suggestion that, after the merger, it can generate millions
5 of dollars in synergies by cutting its operating costs in Maine by an additional 9% or
6 10%. It is certainly possible that Consolidate may "generate" some small short-term
7 savings by changes in its operations, but only at the cost of reducing the quality of
8 telephone service provided to Maine customers, and ultimately losing those customers.
9 Such losses of customers do not constitute "synergies."

10 I recommend that the Commission seriously question Consolidated's estimate of
11 the synergies that it will be able generate after close of the merger. To protect the level of
12 service quality provided to customers, I recommend that, if the Commission decides to
13 approve the proposed merger, that it impose as a condition of its approval. Specifically,
14 the Commission should order: If Consolidated plans to generate synergies by further cuts
15 in its operations and workforce in Maine, then Consolidated should be required to submit
16 plans to the Commission showing that its reductions in workforce and operations will not
17 have an adverse effect on the reliability and safety of its telephone service.

18 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

19 A. Yes.