S. Hrg. 114–409

CUSTOMER SERVICE AND BILLING PRACTICES IN THE CABLE AND SATELLITE TELEVISION INDUSTRY

HEARING

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

JUNE 23, 2016

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THURSDAY, JUNE 23, 2016

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:05 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Rob Portman, Chairman of the Subcommittee, presiding.

Present: Senators Portman, Paul, Lankford, Ayotte, McCaskill, Tester, Baldwin, and Heitkamp.

OPENING STATEMENT OF SENATOR PORTMAN

Senator PORTMAN. The Committee will come to order.

We are here today to discuss a topic that affects just about every American family and often frustrates all of us as American families, and that is our cable or satellite TV service. For over a year now, Senator McCaskill and I have undertaken an investigation of the cable and satellite television industry. As many of you know, Senator McCaskill has been interested in this issue for many years, from her role on the Commerce Committee. She will talk about that. We both have a keen interest in making sure cable and satellite companies do right by their subscribers.

The Subcommittee has reviewed literally thousands of documents and interviewed countless witnesses to learn more about the consumer practices of the five largest pay-TV providers. This includes Comcast, Charter, Time Warner Cable, DISH Network, and DirecTV. Together, these companies serve more than half of all American households and nearly three-quarters of those who pay for television programming.

Today's hearing will focus on those companies' billing and customer service practices. Our joint report[1] outlines troubling findings about the practices of two cable companies that have consistently failed to provide refunds to customers who they know they have overcharged, including thousands of people in my home State of Ohio. I will talk about those findings in a moment. The second is a report issued by Senator McCaskill[2] on a number of issues of

[1] The staff report appears in the Appendix on page 85.
[2] The report issued by Senator McCaskill appears in the Appendix on page 101.

interest to consumers: how pay-TV companies disclose their prices, what these fees are for, and how they teach their employees to interact with and retain customers.

And without objection, these reports will be made part of the record.

During the course of the Subcommittee's investigation, we discovered something about refunds that, frankly, I found hard to believe. As anyone with a cable or satellite subscription knows, when your bill arrives every month, it often has a long list of charges on it. I have a bill here in front of me. It is a pretty complicated bill. A base charge for the TV package, maybe $10 extra per month for HBO, and equipment fees and surcharges for the set-top boxes that you rent.

Given how many millions of people get television service from these companies, it is inevitable that from time to time a customer will wind up getting charged for something by mistake. That happens. The same thing, by the way, happens in the grocery store checkout line sometimes. It has happened to me. Mistakes happen—and we understand that. What matters in life is how you own up to your mistakes and make things right. What we discovered is that some cable and satellite companies are better at doing that than others.

All of the companies before us have ways of identifying overcharges to customers or preventing them from happening in the first place. But what happens when they find out they have been overcharging someone for equipment the customer does not actually have? The first thing to do, of course, is take it off the customer's bill going forward. All the companies before us know to do that. But not all of them bother to go back and figure out when the overcharge started, calculate how much they owe the consumer, and give them a refund.

During the time period examined by the Subcommittee, Time Warner Cable and Charter Communications—who have just recently merged with each other—made no effort to trace equipment overcharges they identified and provide refunds to their customers. Instead, their practice has been to just pocket the past overcharges.

To understand the scale of this problem, we asked Time Warner Cable for specific numbers about overcharges in my home State of Ohio. Here is what we found: During the first 5 months of 2016, this year, Time Warner Cable overbilled up to 11,000 customers in Ohio, and those overcharges totaled over $100,000. Time Warner Cable further estimates that, throughout last year alone, it overbilled 40,000 Ohio customers with overcharges of more than $430,000. And rather than correct the mistake by refunding the overcharges, the company just kept the money. In my view, that is a ripoff of Ohio consumers, and I will be asking the company today how they are going to fix it.

Specifically, when Time Warner Cable discovered the overcharges, it only dealt with the problem prospectively. It took erroneous charges off customers' bills going forward, but did not provide any backward-looking refunds and did not even provide notice to customers so they could investigate the problem themselves. They just kept the money. Based on data provided to the Subcommittee, Time Warner Cable will overbill its customers nationwide an estimated $2 million for equipment charges in 2016 and, even after discovering these billing errors, will fail to do the work required to provide a full refund. We will talk about that.

Time Warner Cable has recently been acquired, as I said, by Charter Communications. So I am hopeful the new company will work quickly to fix this problem.

But Charter has had problems of its own. Until August 2015, the company did not run any systematic audits to reconcile its billing records with equipment records. That means overcharged customers could not even receive a prospective correction of their bill unless they spotted the problem themselves and contacted Charter. Just recently, Charter began taking steps to identify equipment overcharges currently on its system. But even though it has identified overcharges and removed erroneous charges from future bills since August 2015, until today, Charter has not provided any refunds or notice of the problem to consumers—just like Time Warner Cable.

It does not have to be this way. Our investigation revealed that Comcast, DirecTV, and DISH have had better practices. Comcast and DirecTV provide automatic refunds or credits to customers who have been overcharged by their billing systems, while DISH's billing system is designed and apparently has been successful in preventing any of these types of overcharges from occurring in the first place. So feasibility, in my view, is not a good excuse for failing to refund customers when they have been overcharged.

We do have some good news to report today. As a result of our investigation, Charter and Time Warner Cable have taken steps to improve their practices. Time Warner performs a monthly audit to find overcharges. Going forward, the company will provide an automatic 1-month credit to all customers for each piece of overbilled equipment or service, and it will provide notice to overbilled customers so they can determine whether to request a credit or a refund. That is a good start. But it does not make all customers whole. Time Warner Cable has not yet committed to do anything for the 40,000 Ohio customers, for instance, who were overcharged last year. And we will get into that discussion later today.

Charter has announced that starting today it will provide a 1-year credit to all affected consumers. That, of course, goes further to make customers whole, but what would be better is simply to ensure that customers receive the full refunds that they are owed.

Senator McCaskill's report shows that Americans are often unhappy with their cable and satellite service. Questionable customer service techniques and confusion surrounding billing practices have led consumers to feel mistreated. I support her effort to get to the bottom of these issues, and I believe that the best solution to the problem of poor customer service is more competition in the pay-TV industry. Regulations have their place, but what is really needed is for consumers to have a more options—more competition in the market. If you do not like your television service provider, you should be able to choose a different provider that suits your needs and suits your preferences, and Senator McCaskill and I are both interested in continuing to examine how the industry can be improved to create more choice for consumers.

I want to thank Senator McCaskill for her hard work on this. She has always been a stalwart friend of consumers, as I said earlier. She and her staff have worked with us in a professional and productive way to make today possible.

With that, I would like to turn to Senator McCaskill for her opening statement.

OPENING STATEMENT OF SENATOR MCCASKILL

Senator MCCASKILL. Thank you, and I want to thank you, Chairman Portman, for allowing me to pursue, along with you and your staff, this investigation. I think that we can feel great about the fact that just this investigation and hearing have caused good things to happen for consumers as it relates to pay-TV. As you indicated, we have had a change just from the investigation. Both Charter and Time Warner agreed to issue credits for thousands of customers who were overbilled, and Comcast has provided additional guidance to its retention representatives of allowing customers to cancel without an argument. So we can already claim some small victory as a result of these investigations and this hearing today. And I think this is an important area for us to continue to look at.

It is amazing to me, when we began asking for input, the volume and passion of input we got from people about how they feel like they are mistreated by their pay-TV provider. And this morning, for the first time, our Nation's largest cable and satellite companies are testifying together before us about their customer service and billing practices. They are here because this Subcommittee has broad jurisdiction to investigate issues which affect the American people. I tried to have this hearing as the Chairman of the Consumer Protection Subcommittee, and I got no cooperation from any of these companies in connection with that hearing in the later months of 2014. And so I made a determination then that I was not going to give up and that we were going to stay on this, and I am really grateful, as I say, Chairman Portman, for your agreement to allow this investigation to go forward.

The five companies here today provide video services to more than half of all American households. They enable more than 71 million subscribers and their families to receive news, entertainment, and other programming. And while we may love watching our shows, we do not love our cable and satellite bills, and we hate dealing with the cable and satellite companies. Although the companies have made some gains in the last year, paid TV providers remain among the most disliked industries in America. This year, a survey of consumers found that more than 20 percent of the people who had interacted with TV providers reported having a bad experience during the previous 6 months, the highest level of any industry.

So how did I begin down this road? Well, it was with a personal experience. I called one of my providers and asked questions about my bill. And in the process of that conversation, I learned—this was over 2 years ago—that there was a $10 charge on my bill for a certain service that now was included in the basic package. And I said, "Well, so I am paying $10 that I do not have to?" And the person on the other end of the line kind of said, "Yes, you are paying $10, and you do not have to pay it." And I said, "Well, were you going to tell me this?" And they said, "Well, no. You have to call in and ask." That is exactly the kind of "hide the ball" that infuriates people.

So if I had not called in and asked, that $10 could still be on my bill today based on the billing practices of the companies represented at this hearing.

So we have done a huge investigation, and I have reviewed a lot of material, and my staff has, and I have consumed a lot of information about this. So I decided 2 days ago I would take another spin, because now I know a lot. Now I know the difference between a customer service representative and a retention specialist. Now I know what to say and how to say it.

So 2 days ago, I called one of my providers, and on my website, McCaskill.Senate.gov, people can listen to the recording of this conversation. And, in fairness, because I do not think this is necessarily one company versus another, I am not going to talk about which company it is, nor will the recording. And I am not going to read here nor on the recording will I give all my personal information that I was asked to give when I called. But here is how the conversation went, the first part of it, until they got me to that magic retention specialist.

"Hello, and thank you so much for calling. Can I have your name, please?"

"My name is Claire McCaskill."

"Can you spell that for me, please?"

I proceeded to spell it. I proceeded to give the representative my service address. I proceeded to give her the name on the account and say that that was my husband's name. And she asked what my relationship was to the account holder, and I said it was my husband. And then the woman said, "OK. And how can I help today?"

I said, "I would like to have you remove—there is a fee on here—I am not sure how it got on here—for a protection plan. I do not recall buying that or being asked about it, and I would like to have it removed."

Now she wants to get my information about my account and my active credit card to make sure I am the person that I say I am. So she goes through what credit card I have on file. Then she says, "All right. So you said you are seeing a charge for the protection plan, and you would like to know what it is for."

I said, "No. I would like to take it off."

"Oh, you would like to take it off?"

"Yes."

"All right. But you are aware that basically the protection plan covers equipment upgrades every 2 years, and if you lose your equipment, then we will replace it for you at no charge."

I said, "Well, are you saying that the equipment I have in my house now is mine, or is it yours?"

"Well, it is ours, but basically if there are any issues—say, for example, spills or accidentally the cables get cut, then we will replace that for you."

I said, "Well, yes, but let's just say if it is your equipment and something goes wrong with it, don't you have to fix it anyway if

I am going to be able to get the service I am paying for since you own the equipment?"

"Well, let's say if the remote fails or stops working. The protection plan on the account will then fix that free of cost."

I said, "Well, what would that cost if the remote quit working? It is your remote that you own. What would it cost to get it fixed if I did not have the protection plan?"

The woman says, "Well, information on that is actually done in our equipment department. So I would like to connect you there for more information."

I said, "No, no, no, no." Because I knew better, right? "No, no, no, no. I do not want to do that because if you do that, I have to wait and tell the story all over again. I just want to find out why I cannot get you to take off the $7.99 for the protection plan."

"I am not saying I am not able to take it off. I am just letting you know the benefits you get with the protection plan."

"I understand. I think I understand. I think, frankly, it's kind of a ripoff because you own all the equipment, and I think you have to fix the equipment since you own the equipment. And if you cannot fix the equipment, then I could not get the service, and then I would not pay for the service, and I would definitely go to another provider. So what I am asking is, will you just disconnect it? I do not want to pay the $7.99. I do not even know how it got on my bill. I think you just started putting it on my bill, and I was not paying close enough attention."

"All right," she says. "But if I actually have the protection plan taken off, there will be a $10 disconnection fee."

"It would be a $10 disconnection fee for me to quit paying the $7.99 every month?"

"That is correct."

"And it is a one-time disconnection fee?"

"Yes, it is one time."

"And what am I paying for?"

"Paying for?" she says.

"Yes, what am I paying for? For you to just quit charging me for the service, I have to pay you $10?"

"Well, no. Basically"——

And then I say, "I think what we ought to do probably, I think maybe now it is time for me to switch carriers. If you are going to charge me $10 to quit charging me for something I do not want anymore, I think it is time to switch carriers."

"All right. Well, basically that is just the policy. So once I take off the protection plan charge, it will be automatically on your account."

"OK. So what you are saying is if I want to cancel $7.99 that you have been getting every month for the protection plan, you are going to charge me $10 to do that? You have no choice?"

"I have no choice."

"You cannot waive that?"

"It is policy. That is correct."

"Do you have discretion to give me a one-time credit of $10 to do away with that?"

"I am really sorry."

"I do not really think you want to lose me as a customer, do you, over $10?"

"Well, we do value your business, but it is just the policy here. So once I take it off, then there will be the $10 charge."

"And there is nothing you can do about that? You do not have the option to waive?"

And she says, "No, I do not."

So then, finally, I said, "Well, who could waive the $10?"

She says, "Well, I would have to give you to the retention specialist. And I am not really sure how it works in that department."

So then she switched me over to the retention specialist.

Now, this is typical. And, more importantly, when she switched me to the retention specialist, I knew what to say. I knew to keep threatening that I was leaving, to keep threatening I was leaving, not give up, keep threatening I was leaving. And, by the way, it was a long call. Even when we edited it to take out some of the things that are not personal, it was longer than 15 minutes, and at the end of the call, I managed to get the $7.99 off. I was told by the retention specialist I never should have been charged the $10. And, by the way, I got so mad and "escalated," as it is called in the business, that the retention specialist ended up giving me $10 off a month for 12 months.

Now, they were looking at a screen that told them all kinds of information about me, including the fact that I am a pretty good customer. My bill is pretty high.

So I say this because I think this is what the industry maybe does not completely understand in terms of the anger. We found that customers are being charged a host of fees that are not included in advertising pricing, some of which are for programming that used to be included in a customer's video package.

We also found that just as many customers have long believed some of these fees, like high definition (HD) and the digital video recorder (DVR) service fees, are not really a true reflection of the cost to the company of the service but, rather, are based on the revenue goals of the company and the price a customer is willing to stomach. In fact, some of these fees are charged to old customers while new customers get the same services free of charge. Existing customers may not be informed of this. And when they finally figure it out, they have to call and complain to get it taken off.

We found that customers who called for help on their accounts face agents whose job it is not just to solve the customer problems but, in fact, to sell them additional services. At one cable company, even when the customer called in to ask about why their bill was going up, the company told them, "[t]he price adjustment brings with it an opportunity to upsell customers." And these agents are compensated, in part, on their ability to sell you more.

Then if the customer decide they want to cancel their service, they have to jump through more hoops. Although all the companies here today allow people to sign up for service or upgrade their service online, none of them provide customers an option to cancel service online without speaking to a company representative. And if they call, they have to speak to salespeople, like the one I spoke to this week, who are trained to prevent the customers from canceling and hopefully selling you more product. Even when customers say they do not want to have this discussion, the agents are expected to ask questions about why the customer is canceling.

Customers trying to save money by lowering their level of service are often routed to the same agents and should be prepared to negotiate aggressively. We found evidence that these companies train their agents to question customers' decisions to drop channels and make offers in a "top-down" fashion so the customer must repeatedly push and push and push to get the best deal.

Finally, we found that two of the companies have failed to provide their customers with notice that they have been overcharged or refunded of past overcharges. As the Chairman pointed out, thousands of people in our States have been impacted by that. The numbers for Missouri, Time Warner overbilled 4,232 Missouri customers last year for a total of $44,152, and Charter estimates that it has annually overcharged approximately 5,897 Missouri customers a total of $494,000 each year.

I want to acknowledge the cooperation we have received from all the companies represented before us today as well as acknowledge the commitments they have made during the process of this investigation to improve customer service. Unfortunately, our investigation suggests that there is a long way to go, as did my conversation with one of my providers just 2 days ago.

I thank the witnesses for their testimony and look forward to the opportunity to ask you questions.

Senator PORTMAN. Thank you, Senator McCaskill.

We will now go to our panel of witnesses, and we appreciate you all being here.

This morning we have with us Tom Karinshak. He is the Senior Vice President of Customer Service for Comcast where he oversees all call center operations and other customer service channels.

We have with us John Keib. John is the former Executive Vice President and Chief Operating Officer (COO) of residential services for Time Warner Cable where he was in charge of customer service, service delivery, technical support, marketing, and sales.

We have Kathleen Mayo with us, who is the Executive Vice President of Customer Operations at Charter Communications, where she is responsible for Charter's customer care organization.

We have Rasesh Patel, who is the Senior Vice President of Product Management for AT&T Entertainment Group, where he is responsible for product strategy and development for DirecTV.

We have Kathleen Schneider with us, who is Senior Vice President of operations for DISH Network, where she oversees customer service for all DISH and Sling TV subscribers nationwide and manages DISH's call centers and business process improvement operations.

Again, we appreciate you all being with us this morning, and we look forward to your testimony. It is the custom of the Subcommittee to swear in our witnesses, so at this time I would ask you all to please stand and raise your right hand. Do you all swear that the testimony you are about to give before this Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. KARINSHAK. I do.

Mr. KEIB. I do.

Ms. MAYO. I do.
Mr. PATEL. I do.
Ms. SCHNEIDER. I do.
Senator PORTMAN. Thank you. Let the record reflect that each witness answered in the affirmative.
All of your written statements will be made part of the record in their entirety. I would ask you to keep your oral testimony to 5 minutes today.
Mr. Karinshak, we would like to hear from you first.

TESTIMONY OF TOM KARINSHAK,[1] SENIOR VICE PRESIDENT, CUSTOMER SERVICE, COMCAST CABLE

Mr. KARINSHAK. Thank you. Chairman Portman, Ranking Member McCaskill, and Members of the Subcommittee, my name is Tom Karinshak, and I am the Senior Vice President of customer service at Comcast Cable. Thank you for the opportunity to be here today, and I also want to thank your staff for the courtesies extended to us throughout this review.

I understand why we are here. Comcast and the industry as a whole have not always made customer service the priority it should have been. Our ability to address customers' needs in a timely fashion has been an issue. Our bills have not always been simple to read, and the range of choices and prices we have offered have not always provided customers with the options they want. I am sorry about that history.

At Comcast, we have committed to our customers that we will change it, and we are taking steps to do just that. I want to reaffirm that commitment to you all today and to outline some of the actions that we are taking.

When I started this job, I made a decision to regularly spend time on the phones and in the stores with our employees and with our customers. That is the front line. That is the place where customer views about Comcast are shaped. When you contact us to get new service, you want to speak with someone who listens to what you say and who understands all of our product options. You want to know the full price, and you want time to change your mind if what you order is not exactly what you need.

When you get bills from us, you want them to be easy to read, and you do not want to see surprises or changes that you do not understand. When you call with a question or a problem or to tell us we made a mistake, you want polite and responsive service. And you want the issue resolved the first time if at all possible. And if you move out of our service area or decide to choose service other than ours, you want to be able to do so without delays and without hassle.

We have listened to what you have said. Yesterday I met with some of our front-line employees in a local store here in the D.C. area, and I took some calls directly from our customers, and I was heartened by what I experienced.

I have submitted a longer statement for the record, and I will not repeat much of it here. But I do want to tell you just a few of the

[1] The prepared statement of Mr. Karinshak appears in the Appendix on page 49.

key components of our efforts to improve our customer service and to provide a better customer experience.

First, we are investing in additional training and new technology for all of our employees. We are committed to ensuring that when our customers speak to Comcast representatives, they are speaking to representatives that have received comprehensive and consistent training.

On the technology side, we have rolled out a new cloud-based platform that gives customer service representatives a better, holistic view of the customer's account history so that customers do not need to keep repeating the same information when talking to somebody new.

Second, we are reassessing policies and fees and simplifying our bills to improve the overall customer experience. For example, we have eliminated change of service and other fees, and we now allow customers to return equipment free of charge through our partnership with the United Parcel Service (UPS). We offer all customers a 30-day money-back guarantee, and in response to the Subcommittee's concerns, we have reaffirmed in a policy statement sent to all of our retention specialists that we expect them to promptly facilitate a disconnect for a customer who is not interested in answering questions.

Third, we are giving all customers better access to products and services that work best for them. We have listened to our customers and are developing new products that better suit their needs. For example, we recently developed a cutting-edge X1 platform which has completely enhanced and revamped our customers' entertainment experience. And we have expanded our free on-demand programming to offer our customer more choices than ever before.

And, finally, we are measuring all of our employees on customer satisfaction. Our compensation plan for front-line employees is now tied directly to the customer experience. In fact, the compensation for all company employees, including our company's top executives, depends in part on these customer service scores as well.

Comcast will spend an incremental half billion dollars this year alone on improving the customer experience. As part of that initiative, we are creating more than 5,500 new customer service jobs over the next 3 years, including positions that we have already filled at our new call centers in Albuquerque, New Mexico, and in Tucson, Arizona.

Having spent over 6 years in the Army myself, I am particularly proud of the fact that we are looking to fill many of these positions with our Nation's veterans and their families.

We believe these and other steps we have taken to improve our customer experience are making a real difference.

Thank you again for the opportunity to testify, and I am happy to answer any questions that you may have.

Senator PORTMAN. Thank you, Mr. Karinshak. Mr. Keib.

TESTIMONY OF JOHN KEIB,[1] FORMER EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER, RESIDENTIAL SERVICES, TIME WARNER CABLE INC.

Mr. KEIB. Chairman Portman, Ranking Member McCaskill, other Members of the Subcommittee, good morning. My name is John Keib, and I am here today to testify on behalf of legacy Time Warner Cable. Thank you for the opportunity to participate in this hearing.

As you know, Time Warner Cable recently merged with Charter Communications and Bright House Networks to form a new company. My role at Time Warner Cable ended when the parties completed these transactions; I am no longer employed by Time Warner Cable or Charter. As such, I am testifying today as a former Time Warner Cable executive, but also as a private citizen.

My most recent position at Time Warner Cable was Executive Vice President and Chief Operating Officer for residential services. In this role, I led the service delivery, customer care, marketing, and sales operations for the company's residential service. To the extent that questions arise relating to the future of Time Warner Cable and Charter, I will defer to Charter's witness, Kip Mayo.

Legacy Time Warner Cable serves approximately 15 million customers receiving video, Internet, or telephone services in 29 States ranging from Maine to Hawaii. We employ thousands of customer service representatives and field technicians whom we train, first and foremost, to serve our customers.

Let me begin by acknowledging that we are well aware of some of the issues that will be discussed by the Subcommittee today. Those of you who live in a Time Warner Cable area have probably seen our most recent ad campaign in which we acknowledge—indeed highlight—prior service challenges before explaining the steps we are taking as a company to address those historical shortcomings.

That campaign is the culmination of efforts made, during my tenure at Time Warner Cable, to improve our customer service performance in order to provide the best customer experience possible. Beginning in 2013, under an internal strategy we called "Winning on Service," Time Warner Cable embarked on an aggressive plan to improve its customer service and took several steps toward that goal. We invested heavily in our network. We made several technology augmentations for broadband and video. We also initiated an ambitious plan to reshape our customer service performance by investing in our greatest and most important asset—our employees. We sought to make service the differentiator and to become the best service provider not just within the telecom space, but within any industry.

Our goal is to keep customers, and we accomplish that goal by keeping them happy. To do this, we train our customer service representatives to provide excellent care to our customers. Upon hiring, our representatives receive 11 weeks of hands-on training, as well as weekly ongoing training and coaching sessions with our supervisors. These coaching sessions allow our representatives to learn from the actual calls they handle. Our focus on customer

[1] The prepared statement of Mr. Keib appears in the Appendix on page 57.

service has made a difference, as more than four in five customers report they are satisfied with their interaction with Time Warner Cable. And our surveys suggest that our customers are becoming increasingly satisfied.

We have made great strides in addressing customer issues more quickly and efficiently. We have done this by improving our phone service levels through enhanced training and better staffing, improving our product and service performance, and introducing appointment-based call-backs, which allow customers to schedule call-backs from Time Warner Cable at times that best work for them. As a result of these efforts, our total call volume is down. Over the past 3 years, the number of calls fielded by our customer service representatives decreased by 12 million, which is a testament to better and more efficient customer service.

One measure of this improved customer service is known as "one-touch resolution"—or the percentage of calls that are managed by a single agent. Recent internal reports show that we achieve one-touch resolution in nearly 94 percent of the calls we handle.

In addition, Time Warner Cable began offering industry 1-hour service and install windows, and in the first quarter of this year, our technicians were on time for these appointments 99 percent of the time. We also significantly reduced by 1.6 million the number of times a Time Warner Cable technician needed to visit a customer's home to handle a repair.

Are we there yet? No. Making such changes at a company our size is no small feat, and the desired changes cannot all happen at once. Still, the evidence suggests that our efforts are starting to pay off. In the latest American Customer Satisfaction Report, Time Warner Cable was ranked the fourth-best Internet provider. That is up from the 13th position 2 years previously.

Although we did not have enough time to fully execute our plan, I am proud of the early results just as I am most proud of our technicians and customer service agents who together are pursuing a single mission of winning on service. Moreover, I am very confident that Charter holds the same core tenets about prioritizing customer service and will continue to improve the customer service experience.

I look forward to answering any questions you have today about Time Warner Cable, and I would like to thank you for having me here today.

Senator PORTMAN. Thank you, Mr. Keib. Ms. Mayo.

TESTIMONY OF KATHLEEN "KIP" MAYO,[1] EXECUTIVE VICE PRESIDENT, CUSTOMER OPERATIONS, CHARTER COMMUNICATIONS, INC.

Ms. MAYO. Thank you, Chairman Portman, Ranking Member McCaskill, and Members of the Subcommittee. I appreciate the opportunity to testify here today. My name is Kathleen Mayo, and I am Charter's executive vice president of customer operations.

I am here to talk about the significant progress we have made improving the customer experience at Charter since the company's

[1] The prepared statement of Ms. Mayo appears in the Appendix on page 60.

2009 bankruptcy and more especially since its change of leadership in 2012.

As a result of its history, Charter's infrastructure was in serious need of capital investment. The company's financial situation meant that Charter had underinvested in repairs, which kept the product from performing reliably. At the same time, it had tried to cut costs by outsourcing thousands of customer service jobs overseas.

Since Tom Rutledge became the Chief Executive Officer (CEO) in 2012 and brought in a new leadership team, we instituted a new playbook for success that included streamlining our video products, adding value to those products, and delivering the fastest minimum broadband speeds, all at highly competitive prices, with a focus on improving customer service.

Our efforts over the last 3 or 4 years to improve customer service, have included insourcing customer and field service positions, which created thousands of American jobs. We have invested significantly in training our employees to be responsive to the needs of the customer.

Since 2012, we have hired over 7,000 employees, a 40-percent increase, and the majority of those roles are customer-facing positions, many of which were brought back from overseas. To date, nearly 90 percent of our customer calls are handled onshore and in-house, and 95 percent of our in-home service visits are performed by Charter technicians rather than by third-party contractors.

We are committed to locating our facilities in the communities we serve, most recently opening a $16 million state-of-the-art customer operations center in St. Ann, Missouri.

As part of our transaction with Time Warner Cable, Charter expects to hire 20,000 American workers, many of whom will fill customer service jobs that are currently outsourced to call centers located in other countries. This approach has given us greater quality assurance in our representatives' interactions with customers. Our representatives engage in conversations with our customers to understand their unique needs in order to properly assist them. We do not follow canned scripts.

To improve the customer experience, we also have taken steps to simplify our bill by eliminating common industry fees, and we have expanded self-service capabilities. As a result of these steps and the $7 billion we have invested in our network, customer service calls have declined 25 percent since 2013. When our customers do need assistance, we have been able to resolve their issue on the first call 80 percent of the time.

Those high-quality customer interactions are growing our customer base. In a very competitive environment, we have added more than 1 million customer relationships since the beginning of 2012, growing our total customer base by 18 percent, despite having no early termination fees to prevent customers from leaving us. Our churn is down. Our existing customers are staying with us longer, and our customer satisfaction has improved by 12 percent. We are pleased with our accomplishments to date and believe the results are beginning to show. But we also know that there is still much work to do in order to provide our customers with the excellence in service that they expect and that they deserve.

To eliminate accidental overcharges for video equipment, Charter instituted checks and balances that create controls in our order entry systems to ensure we get each order right. Our recent audit of video equipment determined our billing was 99.4 percent accurate. Out of 11 million boxes, we found approximately 63,000 boxes—less than 1 percent—where customers were overbilled.

While 99.4 percent is a high accuracy rate, it remains unacceptable. No accuracy rate short of 100 percent is acceptable. As a result, we are reconciling every single account every single day to ensure our billing is accurate. We are in the process of notifying overcharged customers, and we are issuing them a 12-month credit.

In conclusion, we have made significant investments to improve our network, we have streamlined our products, we have simplified our pricing, and we have insourced thousands of jobs to strengthen our American workforce. At Charter, we are continuing to work every day to improve and show our customers that we are committed to providing superior customer service.

Thank you.

Senator PORTMAN. Thank you, Ms. Mayo. Mr. Patel.

TESTIMONY OF RASESH PATEL,[1] SENIOR VICE PRESIDENT, PRODUCT MANAGEMENT, AT&T ENTERTAINMENT GROUP (DIRECTV)

Mr. PATEL. Good morning, Chairman Portman, Ranking Member McCaskill, and Members of the Subcommittee. My name is Rasesh Patel, and I appreciate this opportunity to speak with you, on behalf of AT&T and DIRECTV, about our commitment to customer service. The hallmark of our brand has been to offer customers the very best entertainment experience through our technology, unique content offerings, and good customer service, and we are proud of that heritage. But we need to get better, and we are working hard to do so.

To that end, we need to complement our great product. I think we have a phenomenal product that offers customers the first digital experience, Sunday Ticket, first to go to HD. But sometimes that great product is not complemented with great customer experience, and it frustrates our customers. And so to that end, in 2012, I started a group that focused on being champions for the customer inside the organization, reporting directly to the CEO. And our goal was not just customer service. Our goal was to relook at the entire business through the customer's eyes, to conduct a significant amount of analysis on what exactly customers are going through, and to be the internal voice of the customer in the organization so that as decisions are being made and as policies are being set, the voice of the customer is represented, and to be a champion for the change and really see improvements all the way through. To that end, we have made a lot of progress, but we have a long way to go.

And so this is a very personal issue for me. I asked our CEO to really lead this organization, so I am glad to be here today.

[1] The prepared statement of Mr. Patel appears in the Appendix on page 67.

Our commitment to serving customers and giving them more value and choices has never been stronger. We recently announced in March plans to launch over-the-top services that will provide customers flexibility and increase choices in lower-cost offerings to customers. It will essentially allow them to enjoy our content distributed over the Internet in a much more simple business model and offering.

DirecTV has ranked higher in customer satisfaction than cable for 16 years in a row, but we recognize that we need to raise the bar in this ever-evolving competitive landscape, given rising content costs. If customers are going to pay more for the service, they can, should, and will expect more. We believe service is an essential component of our success and we have, accordingly, devoted and will continue to devote significant resources toward our goal of delivering a superior customer experience.

I have been with the combined AT&T and DirecTV company for 15 years in a number of different roles, and as you noted Mr. Chairman, I am currently Senior Vice President of Product Management, but from 2012 until AT&T's 2015 acquisition of DirecTV, I served as Senior Vice President of Customer Experience. In that role, I led DirecTV's proactive, enterprise-wide, customer-centric effort to improve the experience across all customer touch points.

The initiative began with a comprehensive evaluation of all our policies and practices. We conducted detailed research on exactly what the customer was going through, and we have shared much of that research with the Subcommittee. We did an analysis on operational data in order to really prioritize our efforts to what was most important to customers.

We have invested hundreds of millions of dollars in that customer experience initiative, which has produced real results for our customers. We have eliminated 18 million phone calls per year to our call centers over the last 3 years, which demonstrates customers are experiencing fewer issues. We have reduced over 300,000 service truck rolls per year, which I also look at as 300,000 fewer times someone has to take a day off of work in order to meet a service technician.

We have reduced complaints to our Complaint Resolution Center by 44 percent, and we introduced a new simplified bill that clearly showed customers what the full retail price of their services was, what the discount amount was, and was very transparent every month about communicating when that discount expires.

We made it a point on page 1 of that bill to proactively identify anything that has changed from the previous month so customers do not have to hunt for that information.

DirecTV also maintains a dedicated team to proactively identify and address billing errors, and it is a continually learning process. If we find an issue that becomes part of a continuously monitoring inquiry, we will look for that problem going forward. It is our policy to proactively address billing errors, to notify customers that we made an error, and to reimburse affected customers. And we even do so if that person is no longer a customer with us. We will go back and credit their account.

But we are not done yet. We have plenty of room for improvement, and in that regard, AT&T and DirecTV will spend more than

$1 billion toward enhancing the customer experience from 2016 to 2017. While we do take pride in the progress that we have made over the past 3 years, we know that customer satisfaction is a never-ending journey, and we can, should, and need to do better.

In that regard, I sincerely welcome the Committee's input. Through this process, I have run across a couple of things that I myself have discovered that will drive change in our organization. And we are confident that as a combined company we will further enhance our ability to provide our customers with the very best products and services that they deserve.

So I thank you for the opportunity to appear here today, and I look forward to answering your questions.

Senator PORTMAN. Thank you, Mr. Patel. Ms. Schneider.

TESTIMONY OF KATHLEEN SCHNEIDER,[1] SENIOR VICE PRESIDENT, OPERATIONS, DISH NETWORK, L.L.C.

Ms. SCHNEIDER. Chairman Portman, Ranking Member McCaskill, and Members of the Subcommittee, my name is Kathy Schneider, and I am the Senior Vice President of operations for DISH Network.

In the 1980s, DISH's three founders decided that consumers should have an affordable alternative to cable. We launched our service in 1996 and were successful in reinventing television distribution and providing meaningful competition within the pay-TV industry. DISH is now the Nation's fourth-largest pay-TV provider with about 14 million subscribers. We have 18,000 employees, plus relationships with over 6,000 independent retailers, most of which are small businesses providing community storefront operations for our customers. There are 146 of these retailers in Ohio and 167 in Missouri.

We are proud that DISH is the only provider of local broadcast channels in all 210 U.S. media markets, ensuring that even the most rural customers receive the same high-quality television as customers in more urban areas.

For DISH's customer service, the issues we will discuss in this hearing are complex, but here is the simple truth for DISH. Our success as a business depends on satisfied customers. We have spent the last two decades working to provide a first-rate entertainment experience and making our customers happy. Happy customers understand and see the value of our products and services, understand our bills, receive a seamless installation of reliable products, and receive responsive repairs and service changes.

At DISH, our sales, installation, customer service, billing, product development, and programming teams are constantly working hand in hand to make sure we satisfy these customer expectations. And we have received some outside recognition for these efforts, including an A-plus rating from the Better Business Bureau (BBB), J.D. Power awards for customer satisfaction for 4 years running, and a top ranking in several categories by the American Customer Satisfaction Index, including Lowest Customer Complaints.

We diligently track the latest customer pain points and adjust our policies, procedures, training materials, and subscriber offer-

[1] The prepared statement of Ms. Schneider appears in the Appendix on page 73.

ings. We make sure our agents have the necessary tools to match each customer with the best programming, technology, and value for that customer's needs.

When a call comes in, our policy is to resolve, prevent, and promote. First, resolve the customer's issue, then prevent any future issues, and only after that promote the value of DISH.

We also keep innovating and coming up with the best technology to meet customer demand for TV anywhere, anytime. That is what is behind our award-winning set-top box, the Hopper, and also Sling TV, our groundbreaking live TV Internet streaming service.

We are in a highly competitive business with major up-front costs involved in acquiring each customer to the tune of $800 per subscriber at DISH. It takes us 4 years of having the customer for us to recoup those costs, and vying for our customers are often two to three other cable, telco, or satellite companies. Usually, one or more of those competitors is a company that, unlike DISH, can bundle its TV offerings with broadband and phone service. DISH's way of beating the bundle has to be keeping our customers satisfied with the quality of our service and value of what we are giving them.

Unfortunately, DISH cannot alone address two of the biggest overall customer complaints that we face: one, the high price of programming; and, two, the inability for our customers to select which channels they receive. The content industry needs to be a part of that conversation.

The main source of rising pay television rates is the skyrocketing costs of acquiring programming content, mostly due to the broadcasters' ever-growing demands for retransmission consent fees. Programmers have inflicted huge price increases leading to scores of channel blackouts when they withhold their signals and put consumers in the middle of their negotiations with us.

DISH and other pay-TV companies have called on Congress and the Federal Communications Commission (FCC) to update the outdated laws that govern how TV distributors negotiate for content with broadcasters. Reform would go a long way in stopping blackouts, addressing the anti-consumer effects of forced channel bundling, and moderating pay-TV prices and perhaps even lowering them.

I will end with this: While DISH is proud of its customer service and billing practices, we are also committed to continued improvement and constantly ask ourselves what can we do better. We are not perfect. We make mistakes. But we do our best to fix the mistakes that happen and learn from them. We welcome the advice of the Subcommittee on ways that the overall service experience can be made better for our subscribers.

Thank you, and I look forward to your questions.

Senator PORTMAN. Thank you, Ms. Schneider. I appreciate it.

We are going to have the opportunity to ask questions from the panel. We have a 7-minute initial round of questions, and then we will do 5 minutes for the second round. Because we have a number of Members here, I am going to keep my initial questions shorter than that because I will be here until the end.

Let me start, if I could, by saying that I really appreciate the testimony. We learned a lot, including on some issues that we may be following up on, as I said earlier, in terms of competition and ensuring that people have choices. But let me zero in on this issue of not providing refunds to customers.

Mr. Keib, I appreciate your being here. I know you are here really in your capacity as a private sector individual now, not with any particular company but as a private citizen. And yet you were in charge during this time period that we looked into, which was before Warner Cable had merged with Charter, and even going forward, some of the Time Warner practices that do not provide customers to get a full refund for charges they should not have incurred, particularly with regard to equipment.

So I guess my question to you would be, when you look at the data, 40,000 Ohio customers in 2015 were charged 430,000 bucks they should not have been charged, they are getting no refund for that. Even the first 5 months of this year, 11,000 Ohio customers are being overbilled over 100,000 bucks. Mistakes happen. We talked about that. And I mentioned, the checkout counter at the grocery store example of that where sometimes they make a mistake, but then they correct it. And they do not say, "We are going to charge you less next time you come in." They say, "We are going to make you good."

So it seems to me that the company could have looked into these overcharges, as other companies represented here have, and determined, how long the customer had been billed for these charges and simply to provide them a refund for that. Do you agree with that?

Mr. KEIB. I think I agree with that. But I would, if given the opportunity, like to give a quick overview of the situation that we are discussing and how we handle credits and refunds.

Senator PORTMAN. Yes, quickly, if you would.

Mr. KEIB. Sure. Well, first of all, I would like to bring up something that did not come up, I think, when we started, which is that we are actually undercharging customers significantly more than we are overcharging them. At least that is what we found and submitted as part of our revenue assurance program. And I do think that is noteworthy in the context of this discussion.

Second, as a company, we provide over $150 million in credits a year to customers, and a lot of those credits are done in real time with our customer service agents, and many of them are done when we know the origination of the actual air date. And when we can quantify the exact customers impacted, we absolutely do provide notice, and we do provide the exact amount of what the actual credit is going to be.

Several years ago, we built out something we called a revenue assurance program, and this revenue assurance program, as I think you may have mentioned, was really designed to find these kind of issues. And over time we found these issues, and what the revenue assurance program found as it looks to tie out whether our equipment is being charged properly on the accounts is that of the 37 million pieces of equipment that we have active on our network, a very small fraction were being improperly billed.

And on top of that, if you bring it down to the customer level, it was about, I think, 0.07 percent of customers with video equipment had an issue and 0.03 percent of our modems.

So what I said earlier about winning on service, we take it very seriously. And it does not really matter if it is 10,000 out of 2.5 million customers. That 10,000 or 11,000 is what we have to get right.

Senator PORTMAN. Let me interrupt you, if I could, just for a second. We are talking about 40,000 customers in Ohio alone in 2015 who were overcharged.

Mr. KEIB. I apologize.

Senator PORTMAN. Forty thousand in Ohio alone, so you are talking about many more thousands of that in other States represented around this panel. And it is easy to say, well, we undercharged some people, we overcharged others, it all kind of nets out. Not for those 40,000 families. Not for the family that is getting overcharged. I mean, you should not undercharge either. You should have business practices that take care of that. I am not suggesting that there is any benefit to undercharging or overcharging. What I am suggesting is that if you are overcharged and you find out about it, you ought to make them good. And that is what other businesses do. I used the example of the checkout counter, but it is true in other businesses that you and I deal with every day.

So my question to you is really simple: Shouldn't you have, having identified those people, simply provided them—and, still, you are not doing it because what you are saying is you are going to give them a month credit where it could be years of having equipment that they were overcharged for? Isn't that accurate?

Mr. KEIB. It is not accurate to say that they have been overcharged for years, and I will just——

Senator PORTMAN. How do you know that?

Mr. KEIB. If I could just take time to explain that in the revenue assurance program, we are looking for mismatches of pieces of equipment, and what we are trying to figure out is whether the service charge on that piece of equipment ties to the actual equipment. Because of the amount of volume of equipment we are turning over right now, whether we are upgrading our modems, upgrading our set-top equipment, or actually going all digital and have been launching DTAs, there is a lot of transactional volume. And what I am told and what I have learned through the revenue assurance process is that the mismatch is being driven when a customer is, during this transition window, putting equipment on account and taking it off the account and matching that up to the actual service charge.

So what we are doing is proactively every month running a report to find those discrepancies, and that is why I say based on what I have heard from our team is that I would venture to say that the majority of those are more recent and within the actual 30-to 45-day span.

Senator PORTMAN. OK. A majority are more recent, but you do not know that it has not been years. You are now doing this monthly analysis, which is a step forward, as I said, and I do think this hearing has created some improvements in customer service both for you and for Charter, and based on what others have said, it sounds like all of you have looked at your processes and come up with some new suggestions. So that is positive.

But, still, you are not providing people the money that they are owed even though you know that they deserve a refund. We will get back into this with more specificity. I want to move to Ms. Mayo with my next round of questions because she is now at Charter and Charter is going to be responsible going forward for what Time Warner's and Charter's customer service procedures are. But I would hope that even though you have made an announcement today you are going to provide customers some relief, that you just simply do what you now have the data to be able to do, which is to tell the people I represent and people that are represented by people on this panel, look, if you get overcharged, you are going to get a refund for it, just as you would in other businesses.

With that, I will turn to my colleague Senator McCaskill and then to other colleagues here. Again, I am cutting my time short with the hope that we can get everybody's questions in.

Senator MCCASKILL. He is saying that because he is trying to send me a signal that I cannot go over. He knows me really well. He know that I am going to get carried away.

It appears to me from a distance that the business model that has grown up in pay-TV is, figure out a way to make the entry price as low as possible, figure out how to roll people off that entry price as quickly as you can, and then deal with their anger once they realize the price has gone up. And, by the way, if they call to cancel, make sure you train your customer service people really well in how you deal with somebody who is angry, and the angrier they get, the more likely they are to get something from you; or depending on who they get, how skilled the retention agent is in holding on to them and handing them goodies, sometimes temporarily, to calm them down and hope that you can hold on to them longer.

Now, there are so many things about this business model that are asking for customers to be upset. Do any of you in your advertisements to try to get customers put the same size pricing on what they are going to pay after the promotion as you do for the promotional price? Do any of you do that?

[No response.]

So all of you do the promotional price, and then there is fine print. In fact, many of you do not even put what the price is going to be after the promotional price, correct? Is that correct? Yes? Does anybody disagree with that?

[No response.]

So the promotional price and transparency is the beginning of the journey that America has with their pay-TV providers.

Let me ask about HD and other fees. Ms. Schneider, does DISH currently charge customers an HD fee?

Ms. SCHNEIDER. So for new customers, we no longer charge HD fees.

Senator MCCASKILL. So you do not charge HD fees for new customers. What about old customers?

Ms. SCHNEIDER. So we have a small number of customers who, when they came into DISH, they had sort of different pricing arrangements. So for customers today, we include HD fees in the receiver fees that they are paying for new Hopper equipment, so it is included there. For the subset of customers in earlier days of HD, we did not have that fee included in the receiver fees. So they are having lower receiver fees and then paying that HD fee as an offset.

Senator MCCASKILL. OK. So I guess what I am saying is, DISH no longer charges new customers HD, but you charge old customers HD, correct?

Ms. SCHNEIDER. Well, in essence, we are charging both. They are just kind of in different——

Senator MCCASKILL. But isn't it true if someone calls in and asks to have their HD fee waived, they get it waived?

Ms. SCHNEIDER. If they call in, yes, we will waive it.

Senator MCCASKILL. OK. So, once again, hide the ball. So if I am smart enough to know to call DISH, if I have an HD fee on my bill, if I am smart enough to call and ask for it to come off, you are going to take it off, aren't you?

Ms. SCHNEIDER. Agents will do that for longer-term customers. These are long-term customers for us, and so——

Senator MCCASKILL. So how long do you have to be a customer before you have the magic knock to get the fee taken off?

Ms. SCHNEIDER. I do not know that there is a specific time that we have there. It is——

Senator MCCASKILL. See, this is exactly what I am talking about. Nobody knows how to get the best price from you guys. Nobody knows. There is a secret sauce somewhere, and I think it has to do with being really mad, which is really bizarre to me.

All right. Let us go on to Mr. Patel. You all charge now an advanced receiver service fee, right?

Mr. PATEL. That is correct.

Senator MCCASKILL. So you took the HD thing off the bill, and then you put a brand-new thing on the bill. Now, how many of your customers do you think have any idea what the advanced receiver service fee is for?

Mr. PATEL. Yes, Senator, our intention was to really simplify the sales process, and what we tried to do is simplify the number of decisions a customer had to make, and we got it down to three, which was you pick your programming package, and the level of programming you pick dictates how much you are going to pay for the programming package. The second choice is, do you want basic services or advanced services? Basic services provide a good HD experience but do not include DVR, On Demand, and other things.

Senator MCCASKILL. OK.

Mr. PATEL. That is what that advanced service fee is. It provides the more advanced services. Then it is $7 per room.

As a part of the customer experience effort, we found that the number of choices customers had to make was extremely complex and wanted——

Senator MCCASKILL. OK, so you wanted to lower the number of choices they make, but isn't it true that not all customers are charged the same advanced receiver service (ARS) fee in your company?

Mr. PATEL. That is correct.

Senator MCCASKILL. And so how do I know whether I get a lower ARS fee? Do I have to call and ask you? If I call and ask you, will you lower my ARS fee?

Mr. PATEL. No, and it is——

Senator MCCASKILL. No?

Mr. PATEL. It is kind of an apples-and-oranges comparison, and let me explain why.

Senator MCCASKILL. Quickly, if you would.

Mr. PATEL. I will. So when the ARS fee was originally introduced, it was at a slightly higher price, and we have lowered it. But——

Senator MCCASKILL. Did you lower it for everybody?

Mr. PATEL. But the customers who came on board with the higher price received their first room's equipment for free. There are other components of their offer that were different, and so the challenge is that it is a very competitive marketplace, and the offers from a marketing perspective change very quickly.

Senator MCCASKILL. I understand that, believe me, and customers understand that. It is like shifting sand.

OK. Let me talk about the secret rates offered by retention agents. In this investigation, we determined that there are actually rates that retention agents are authorized to give their customers that are never advertised. Does anybody disagree with that statement?

[No response.]

So that is what is really frustrating. Let me talk specifically about Time Warner. To handle customers that want to lower the cost of the service, Time Warner provided its agents with a chart that showed them how much to lower the price of a package each time someone objected. So the people actually had a script. Now, if they get mad the first time, you can go down this much. If they get mad again, you can go down this much. And then we found out, when we interviewed you, that if they asked, they would tell the price they just offered was the lowest price available at that time even though there was a lower price on the chart that they could still offer. And when we asked you about that, you said, "Well, at that moment that was the lowest price that agent could offer."

That is the kind of stuff that is driving people through the wall. Is it fair for customers to not be able to determine when they have reached the lowest price? How does a customer know when they have gotten the best deal? You can listen to my call. I kept getting mad, and I eventually got 120 bucks back, plus I got rid of the $7.99. I never would have known to do that if we had not done this investigation.

So will you all make a commitment today to advertise the lowest price available? Any of you?

[No response.]

Will you publish it on your website, the lowest price available for your services? Any of you?

[No response.]

I will have more questions the next round.

Senator PORTMAN. Thank you, Senator McCaskill. Senator Paul.

OPENING STATEMENT OF SENATOR PAUL

Senator PAUL. One thing that is interesting about pricing is that if you go to a car dealer and you say, "What is the lowest price you will give me on the car?" nobody in their right mind is going to publish that. So the question is: Is there competition or not? It looks like there are a lot of choices and you can choose, and they have various ways of presenting themselves to try to entice you. But that is the marketplace. It is buyer beware, and as long as you have choices, if you do not like one of the choices, you do not like their service, you simply in America choose another server.

I think, though, that we need to put this particular problem or this particular hearing in sort of a context, the context of what kind of problems we have in our country. We have a $19 trillion debt. We have an anemic economy that is growing at a point and a half. Millions of people are not getting jobs because we are not growing at a historic rate.

We have a $7 trillion shortfall in Social Security and a 435 trillion shortfall in Medicare. But I do not think Congress is having hearings on any of these. I propose we ought to have a full permanent hearing on Social Security that meets all of the time just to address Social Security. I have been here 6 years, and there has not been one bill to the floor of the Senate to address the entitlement problem, the looming entitlement problem that we all acknowledge is there. So I think we do have important problems that we do need to face as a country.

We are asked today to look at the tactics of television providers to see if they are unfair, their bills are too complex. We have pointed to low customer satisfaction surveys. Well, one thing is very clear, though. Television providers' customer satisfaction still exceeds that of Congress. So I am not sure really if there is enough wisdom in Congress that we can impart to people who actually have a higher approval rating than we do.

If we were to examine, though, organizations that fail the transparency test, we might want to start with government. The Pentagon has never been audited. It is enormous, it is this behemoth. And we have to have defense, but certainly we should audit it. They have told us they are too big to be audited, and we just say, "Oh, well." That has been going on for over a decade.

The Federal Reserve, completely unaudited. We cannot get an audit through. We have had very little cooperation in the Senate from people saying, "Yes, we need transparency in government. I mean, sure, this is an important problem, and it is frustrating. I have been there. I have been on the phone with people. In our household, we get frustrated calling consumer reps. But at the same time, we have big problems as a country. We have to figure out what are we going to do with the Fed, the Pentagon, the Consumer Financial Protection Bureau (CFPB), and really Congress. Congress uses bills that are hundreds if not thousands of pages long, filled with wonky, technical jargon that is unapproachable to the average reader. Congress uses high-pressure situations to get people to accept bills they do not like. Few members actually read the bills before they agree to them. And, so I think maybe Congress might be one of our first items.

Unfortunately, when you look at your government, you are unhappy with your government, you cannot change your legislative provider. A lot of people probably would if they could. But when it comes to television or cable or satellite, you have a choice.

The satellite and cable industry in my State has a $4.7 billion impact on Kentucky. I think in the midst of unhappiness about things not being perfect—and nothing is ever perfect. We realize you have a choice, but we should not lose sight of the fact of what the television industry does for our States as far as jobs and occupations and money for each of our States.

Maybe we should be asking, How can we help them grow their business? The only way they grow their business is by having better consumer service, but maybe there are obstacles such as taxes or regulations that add costs to your bill, too.

I know that when I look at my phone bill, I see a lot of government stuff on there, and so maybe there are ways that we could make the bills less by actually removing government obstacles.

The fact is that the market for television content has evolved quite rapidly through its own technological advancement and expanding consumer choices. Milton Friedman once argued that the essence of an effective television industry, an effective telephone industry, an effective computer industry, or an effective mail delivery industry, you name it, is competition. If there is an argument that there is not competition, then these can be really serious problems. As long as there is competition—and there appears to be vibrant competition—you have a choice.

I have a choice in Bowling Green of two cable companies. I have two satellite companies. I can stream things. I have to have my son help me with that, but I can stream things as well. There is competition. There are now more subscriptions that you can get without a contract because it is becoming very competitive. We have one big cable company that was bankrupt. Apparently, there is not a huge amount, they are struggling to make enough profit.

But, anyway, I think it has even come to the point now that we have simpler billing as a marketing tool. Some of the different companies here are actually marketing that they have simpler bills to try to get business away from their competitors who may not be doing as good a job.

So, I do not know, I just think we need to put this hearing in perspective and not get too carried away. I have the same frustrations—I mean, everybody does in the modern world—of trying to call and get through to these companies. But we have to realize, first, do no harm. Do we want to get involved with an industry and do it to such an extent that ultimately we screw up something that is actually working very well in many instances and acknowledge that, look, we have hundreds and hundreds of choices of channels, maybe the house is not on fire. Maybe things can get better and will get better through competition. But I for one want to make sure we do not go too far in one direction.

Thank you.

Senator PORTMAN. Thank you, Mr. Paul. And as I said at the outset, competition is something we are looking into because at least in my home State of Ohio, we do not have the kind of competition I would like to see. I have some numbers here indicating how there is a lack of competition now.

But, on the other hand, we heard from some of you about how competitive forces have been helpful, and some of you have even raised some things that could be done in terms of providing a more level playing field so there is more real competition. And I agree with you. That is how you ultimately get better service. Senator Lankford.

OPENING STATEMENT OF SENATOR LANKFORD

Senator LANKFORD. Thank you, Mr. Chairman. Thanks for hosting this hearing and the conversation that is here, but as Senator Paul has mentioned as well, there is a context of this. As I read through the notes and as we received this early this morning and late last night, one of my first thoughts on the section on not getting an answer the first time that you make a call in customer service, I wondered how many times that our constituent service folks on our staff have tried to call the U.S. Department of Veterans Affairs (VA) or Social Security or multiple other agencies and we will work for months to get an answer to a question that should be a straightforward issue. So there is a great deal within government right now that lacks in customer service as well, and I think that deserves a very public acknowledgment that all of us have a very long way to go, and dealing with cable customer service is the pot calling the kettle black as we work through this process.

Saying all that, I have also had people call my office that have been incredibly frustrated by not getting attention with their cable provider, and they reached a point where they called their cable provider so many times and got non-answers that they eventually called their Senator, who we called someone that we knew, and they eventually got attention. And it was the oddest thing for me to think, Why does it take literally an act of someone in Congress to try to get attention on someone who has a billing problem, especially for senior adults that call our office?

Now, in the training—and one of the issues that I have is in the training, and I understand there is a lot of selling and there is a lot of work toward profit. Saying that the people that are on the phone want to actually sell you a program is not shocking to me. It is much akin to saying I am shocked there is gambling in Casablanca, that there are people that are in a for-profit business are trying to actually stay in business and sell a product.

I do have a concern often when we deal with people that are senior adults that do not understand the billing. So the request that I would have is whatever customer service upgrades that you have made—and all of you have made comments about increased training and capabilities—would you please make sure that you are paying attention to the fact that there are senior adults that are calling that have no idea about this billing practice and have no idea of all these packages, and they are being taken advantage of? And that is something intolerable in this process.

Let me ask a couple of things, though. In the billing as it comes out itself, somebody give me a guess. In the typical customer paying for cable services, what percentage of that is State, local, and Federal taxes that they are also paying when they pay that monthly bill? Can somebody give me a guess?

I see lots of thinking. Pen and paper is coming out.

Mr. KEIB. I could say that at a minimum we charge what is called a franchise fee, which is around 5 percent, at a minimum. And then there are other taxes and fees on top of that. The reason why it might be a little bit difficult to give you those exact numbers, it varies by State sometimes.

Senator LANKFORD. Sure it does. Right.

Mr. KEIB. So on an average $100 bill, I think 5 percent is a minimum number. And then I think you could work off of that number, depending on the market for fees and passthrough fees and things like that.

Senator LANKFORD. Does anybody have a different number besides 5 percent there?

Ms. MAYO. I would guess at least 10 percent.

Senator LANKFORD. OK, at least 10 percent being State, local, and Federal taxes, some sort of fee that is attached to it.

I want to talk about an ongoing challenge that we have with packaging, and then I also want to get to streaming, and so we are going to have a conversation coming about some of the streaming services that I know you all are also experimenting with a great deal right now.

The cost of the actual content that is coming to you, there is an ongoing conversation about that as well, because as everyone complains about their cable bill, what I hear back typically from cable providers is, "Do you have any idea how much it costs for XYZ content coming in?" Where does that fit into the typical billing practice? And as you all are actually trying to forecast, let us say, 5 years from now when you talk about hardware, when you talk about fiber being put in the ground, and you talk about content, where does that rank? When you do your own strengths, weaknesses, opportunities, and threat (SWOT) analysis and you are looking at the threats, where does content fit into that?

Mr. PATEL. I will take that, Senator.

Senator LANKFORD. Yes, sir.

Mr. PATEL. Content costs rising is a really significant issue, and I do not think consumers truly understand the dynamic that is in place. We talked a lot about pricing, billing, and fees. But, for us, for 8 out of the last 11 years, the cost of the content has actually exceeded the pricing that we have passed on to the consumer. And so we are in a difficult position. It is a very challenging thing to do to pass on pricing to a consumer. No matter how you notify it, it is going to be something that causes a negative reaction from customers.

From 2005 to 2015, content costs grew 95 percent, and to put that into perspective, it is growing at three times the rate of any other goods or services. And so I think it is an issue. I think it is exacerbated by the fact that the agreements require you to carry a lot of channels that consumers do not have demand for. And both of those things I think create pressure and create sort of a structure that is not in the best interest of the consumer.

Senator LANKFORD. So going back to Senator Paul's conversation—and Senator Portman and Senator McCaskill have all raised this issue about competition—the ongoing conversation in the country right now is about just streaming content rather than actually buying from cable or buying from other satellite providers. You all are doing both, where you are actually streaming content as a separate service with Sling—is that correct?—and then also through satellite. So tell me about modeling for that and trying to work through providing competition in that area for another completely different delivery device, because the key thing for me is can people get content that they choose to get in the medium that they choose to get it in, so if they are ticked off about the latest $3 to $6 fee per room that they have to pay for, they have some other option to be able to go to.

Ms. SCHNEIDER. Yes, so Sling is our over-the-top product that we have for streaming. Sling is a bit more modular in terms of what we can do to provide content. So where we have a bit more bundling with our traditional product, Sling is a bit more modular in that customers have more choice in terms of having a basic package that is really affordable and then adding, slimmer packages to it so it gives them more choice along those lines. Does that answer your question?

Senator LANKFORD. It starts that. This is a longer conversation that we can have that we do not have time for right now. I do have to tell you I, along with every other American, get incredibly frustrated. Senator McCaskill did a great job of outlining a basic call on customer care. All of us get ticked off at that, not only the length of time but the frustration with it. But I am especially concerned about senior adults in my State and the potential for them to be taken advantage of in this process based on the complication but also the difficulty they have had, even seniors that have called me saying, "I cannot even disconnect my service or get an answer," and they just want to say no, but they are so incredibly kind and nice, they cannot seem to turn things off. And so that has to be addressed in the days ahead and should be addressed in a way that actually honors the people that have been a part of that service and paying customers all along. So thank you.

Senator PORTMAN. Senator Baldwin.

Senator BALDWIN. Thank you.

I wanted to start based on Senator Lankford's last comment. We certainly hear from our constituents with enormous frustrations, but almost all of us, I assume, have had our own frustrating experience. We are not strangers to this.

I am actually curious about your own experiences with your own companies, and I wonder if you get pay-TV from the company that you are with now or formerly were with. Why don't you go across and let me know?

Mr. KARINSHAK. Yes, Senator, I do.

Senator BALDWIN. John.

Mr. KEIB. Yes.

Senator BALDWIN. Sorry. That was way too informal. Mr. Keib. Ms. Mayo.

Ms. MAYO. Senator, I subscribe to Comcast service.

Senator BALDWIN. OK.

Mr. PATEL. Yes, I do.

Ms. SCHNEIDER. I am a DISH customer.

Senator BALDWIN. OK. Do you call the same service number that any of us or our constituents would if there is, to initiate the service or to deal with problems? Or as current or former team members, do you have an inside number, a colleague or somebody who takes care of that for you? Why don't you go ahead, Mr. Karinshak?

Mr. KARINSHAK. Yes, Senator, I have it as a normal paying customer, and myself and my team will also do calls into our system as well as normal customers.

Senator BALDWIN. Yes, I was impressed in your testimony that you talk about you are sort of engaging in the different aspects of the business and sort of trying to figure out what the customer experience is. If you had an outage, you would just go through the 800 number, or would you have, an inside way of fixing it?

Mr. KARINSHAK. So I could go through the 800 number. I also use my account app, so I do some things online as well to be able to see the outage, when it would be cleared, but would experience it calling in as a customer.

Senator BALDWIN. OK.

Mr. KARINSHAK. And I take calls from customers directly, too.

Senator BALDWIN. OK. What about you, Mr. Keib?

Mr. KEIB. All of our employees within Time Warner Cable, if they are in our footprint, have Time Warner or used to have Time Warner. And in terms of service, at the individual account level, either mine or my family or any relative that asks for help, I would go through the normal channels. If there is an outage that is, statewide or something that happens on a large scale and it impacts me, I would make sure that we are on top of it but not really out of a self-serving, purpose.

Senator BALDWIN. How about you, Ms. Mayo?

Ms. MAYO. I am sorry, Senator. I am a little bit abnormal. I do not live on footprint for Charter service, so I actually subscribe to two different cable operators. One is Comcast and the other one is Cablevision.

Senator BALDWIN. OK.

Ms. MAYO. So I use their services. I call their lines. I get support just like any other customer.

Senator BALDWIN. OK. Mr. Patel?

Mr. PATEL. I have DirecTV service and generally will use the 800 number, the same 800 number our customers use, or our online tools. Like Tom, we also have access to being able to listen to calls, and so we will do that quite frequently to get a pulse of how the customer is being serviced.

Ms. SCHNEIDER. So the same. If I have an issue, I would call in to our service as well. And I think a lot of us probably have the advantage of knowing—if we have technical issues, we know how to trouble-shoot those things ourselves. So there is probably a lot more self-service with the folks up on the panel than other customers.

Senator BALDWIN. Well, back to the original point. I hear continuously from Wisconsin residents sharing their frustration with pay-TV, satellite and cable. One consistent complaint that I have heard over the years is that TV providers will not let customers purchase their converter box, and instead customers are forced to rent it, which costs them much more money over time.

I also want to share a story from one constituent which has already been—the issue has already been referenced in our hearing thus far, but the constituent explained that he was given a 2-year monthly rate for TV and phone by AT&T, but after a year his bill increased by more than $80 without his consent. This additional $80 gave him no added service, and, in fact, at that point three channels and music stations were removed. He said that AT&T told him that he would have to pay for computer service in order to get his channels back and ultimately hung up on him. My constituent also explained similar billing issues with both Time Warner and DISH.

He ended his letter with this plea, and I quote: "Senator Baldwin, I hear these complaints from everyone. What can you and the Senate do to make all providers sign a contract so that they can be held to their words and finally remove all their false marketing?"

Now, this is just a sample of what I hear regularly, but in light of Senator McCaskill's earlier question about, how big is the price for the promotion versus how are you adequately explaining or are you adequately explaining to the customer what is going to happen in this 2-year promotion where the price goes up after the first year, in light of these concerns that we hear over and over again, I would like to hear from the entire panel what more are you doing to ensure that your companies are not promoting misleading pricing information? And what are you doing to grapple with these pervasive billing issues? Why don't we go across the panel once again?

Mr. KARINSHAK. Senator, it is very important to make sure the customers understand exactly what they are getting. We do offer a wide array of products and a wide array of pricing, and so we have done some additional things from a disclosure perspective to help with that.

First, whether you order our service online or with one of our employees, they are required to go through a full summary at the end of that interaction detailing all of your monthly recurring and nonrecurring charges. We also follow that up with an email that we send to the customer at their preferred email address detailing exactly the order and what is next as well, for example, things like the technician coming to their house.

We also partner with a company called SundaySky to deliver a video that is a personalized tutorial for any changes they make to their package or for a new customer. And we also back it up with our 30-day money-back guarantee as well.

Senator BALDWIN. Thank you.

Mr. KEIB. Yes, I will try not to be redundant with anything that Tom mentioned, but what I would say is I think the most important thing is what the customer actually sees on the bill and making sure that what we are charging for is clear. And I would say one of the more recent things we did was try to show the promotional discount in relation to the full rate. So, for example, if the full rate was, say, $129, there would be a minus sign listing clearly what the actual discount amount was, let us say it was $40 or $20, and then it comes to a summary price of what that actual bill is so that that customer in any given month would be notified that there is actually a higher rate there and that this is a promotion of X dollars. And then when we come up on that window at that time, be it 12 months or whatever the expiration of that window is for that core service, they would see that actual discount go away. Or if it was a 2-year roll, as someone alluded to earlier, they would see it get reduced.

Senator BALDWIN. Ms. Mayo.

Ms. MAYO. That is a good point, and that was part of changes that Charter made recently in an effort to be more transparent about billing to show the full charge and then the discount that the customer is getting. So I agree with John, also with Tom. If you are dealing with a customer service rep on the phone, a sales rep, and you place your order, the sales rep will recap exactly what you should expect on your bill for and exactly any charges that you would see on your bill the first time. We also send an email to the customer confirming the bill. We are working on improving that with more information, but we have the core infrastructure set up.

If you go into a Charter store, you obviously get confirmation of what your order is. If you have a direct conservation with a sales rep, you are getting confirmation of what your order is. But on our website, you will get an email, and with that, too, we are improving the content associated with the confirmation that comes from the website.

Senator BALDWIN. Mr. Patel.

Mr. PATEL. We try to disclose the terms at multiple touch points on the initial sales call, we have implemented a tool that essentially tells the customer and the agent what the required call components are relative to what the customer ordered. What we found is historically all the generic terms were disclosed and the customers were kind of losing attention. And so communicating the fewer things that were more relevant to the customer was important.

No. 2, we record all of our sales calls in our direct sales call centers. And so if a customer ever says, "I was told something else," we make it a point to be able to pull that record and hold agents accountable. Agents are essentially given two opportunities to not make a mistake when it comes to the terms and agreements with the offer. If they do that twice, the consequence is they would lose their job. And so we try to hold the agents accountable. We have disclosures online, including a place where we spell out over the course of 2 years how your prices change. We send an email confirmation. We have a written customer agreement.

And then the last thing, and I think probably the most prominent, is on the bill. We made changes so that from the initial bill you know exactly what the full price of the product is, what the discount amount is, and we even show you that you are in Month 1 of 12 of that discount. And it changes every month, providing a constant awareness for consumers that I have 2 more months left for this discount. When the bill does, in fact, change, we spell it out for customers on the front page.

And so, we have tried to do as much as we can to disclose this to customers and to also drive accountability and controls in the organization if and when mistakes are made.

Ms. SCHNEIDER. So I think DISH might be a little bit different in that we have an option for a 2-year price lock, so customers have a 2-year commitment to us, and we can align pricing and do a price lock for them during the entire term of their contract with us, initial contract. But in addition to that, if they stay with us beyond that 2-year price lock, they will likely experience some price changes, so whatever the then-current pricing is. And so we follow form, kind of similar to what other panelists talked about with respect to during the sales call, we do all of the disclosures, customers get an email that outlines all of the things that they need to understand, including pricing terms with their new service. We do something with our new customers where we do—either if they call in before 10 days or they—either they contact us within 10 days, or if they do not, we will outbound them and walk them through all of the things that they need to know as a new customer with DISH, including anything with pricing, installation, other things. We never want anybody to be surprised by anything that happens on their bill, and we also do the bill statement messages and things along those lines that other panelists talked about.

So we really do try to make an effort to make sure people understand the terms of their new agreement with us and that they do not have any surprises.

Senator BALDWIN. Thank you.

Senator PORTMAN. OK. I would like to get back to some of the questions that we were talking about earlier that have to do with people getting overcharged and then companies knowing that they are being overcharged and not getting the refunds.

First of all, with regard to the bills, I have a copy of a bill here. It happens to be from Ohio. It happens to be a bill that has over a dozen line items in it. One of the responses that we have gotten from companies is that people ought to look at their bills, so if you are being overcharged, you ought to be able to find that.

First of all, I think it is very difficult to discover that you are being overcharged if you do not know what the equipment is, you do not know what the correlation is between the charge and the equipment. But, second, look at one of these bills. It is pretty darn complicated. And part of what I guess I would ask you, Mr. Keib—and I appreciated your answer earlier that you thought that, Time Warner could have done better in terms of allowing, say, these 40,000 Ohioans who in 2015 were overcharged, could have done a better job at dealing with that. You have come up today, as I understand, with a new policy proposal that Charter, being the new company, is, I guess, going to implement that there be a 1-month credit regardless of how far back it goes. We talked earlier about whether you would know how far back it went.

I guess one question I would have for you, and to Ms. Mayo as well, is: Why not at least notify the customer, say, “Hey, look, we have overbilled you, we have overcharged you. Look at your bill. Tell us how long that has been”—if you cannot find out for them, at least give them the information, the notification to be able to find it themselves. Have you thought about that, implementing that kind of a notice procedure?

Mr. KEIB. Yes, and as I mentioned earlier, I think that we do—as I said, when we define the number of customers impacted—and it is not a dynamic number or constantly changing, like the equipment example we discussed earlier. We do provide notice that we overcharged and for how much.

The example relating to equipment, because of the transactional nature and the volume of equipment that is moving in or out, it is a little bit harder to determine in our billing system and the way we run it to figure out the exact origin date of when those customers were impacted.

But to your core question, as to should we notify or not, I think that is a natural progression of any revenue assurance program, and I think that in hindsight we should notify customers if they were being overcharged. And as for what we do going forward, I would kick that to Kip because ultimately I think it falls in her decisionmaking.

Senator PORTMAN. Yes, well, I think what you just said is significant. You think that customers should be notified, and with regard to the equipment particularly, which you say is more complicated. And I know you are no longer in a position to implement that, but, Ms. Mayo, you are. So we have kicked it to you. Maybe two questions for you. One is do you agree with Mr. Keib that one of the things you ought to be doing now is at least notifying these customers so that they know they have been overcharged? Again, 40,000 customers last year, over 11,000 customer, just in Ohio, and this is an issue that I know you are attempting to address today with your own proposal. Yours today, as I understand it, is that you will give a 1-year credit to customers who have been overcharged. For Time Warner legacy customers, I understand it is 1 month.

And so my second question to you is: Now that you are in charge of both, the Time Warner legacy customers as well as your traditional Charter customers, why wouldn't you have the same policy? Why would it be a month for one and a year for the other? Of course, the policy I would like to see is going back and giving them their full refund, which, again, is what other companies have managed to do. You now have this ability, as I understand it, through your new audit program to be able to understand what happened. But if you could talk about that discrepancy and talk about what the possibility would be of actually providing a real refund to make everybody whole, and then also talk about, if you could, this notion of notification?

Ms. MAYO. Sure. So I want to be very clear that producing an accurate bill is our responsibility. It is not the customer's responsibility to find a mistake. It is our responsibility to produce an accurate bill. And at Charter, as I said in my opening statement, even though we had a 99.4 percent accuracy rate, which seems high, it is not high enough. And we do believe that 100 percent accuracy is the only acceptable solution.

So after this was discovered, we were able to put in place a daily reconciliation process that we are running every single day and looking at every single customer's account and looking at the box charges on the account and the number of boxes. And on any given day if the box charges exceed the boxes, we will remove the excess box charge. This will assure 100 percent accuracy in charging set-top boxes. We are going to implement the exact same thing at Time Warner Cable.

Now, as you know, we closed on Time Warner Cable just about 5 weeks ago, so I am still getting my arms around it. I am still trying to understand the billing systems and how they work, because we all operate our billing systems differently. But the programmers are already working on the design of that reporting. It is a little bit more complicated for Time Warner Cable because of the way they package their services. Some of their packages include a free set-top box, and so, in some instances it is not a billing error that there is no charge there because it is embedded in the service price.

So we have already identified 11 exceptions that have to be configured into this reporting. I am probably going to need about 60 days to get it in motion. But we will do that, and then we will have 100 percent accuracy not just with Charter and Time Warner Cable but Bright House as well.

Relative to notification of customers, I agree with you, I think we should notify customers. There is no question about that. And as you had mentioned, Senator, we will be notifying our customers and giving them a 12-month credit for any overcharges discovered through our reconciliation.

Senator PORTMAN. You talked about 100 percent accuracy. Just quickly, with regard to, again, your legacy customers coming in, my understanding is Time Warner, with regard to its correction of billing errors, aims for 80 percent, has in the past, understanding they are now part of your organization. Is that accurate?

Mr. KEIB. I would like to address that. I do not think the aim is 80 percent. I think that the aim is to try to get to 100 percent. In the billing system that we have or we use in Ohio, the fix that we put on that account does not necessarily correctly impact customers that are in pending status. And what that would mean is that they have ordered service, but they have not been installed yet. So one of the reasons we have that breakage is that when we apply that fix, it is not sticking on customers who have yet to be formally installed.

So, again, in terms of process improvement, there is an opportunity to do that, but I do not think it is that we are aiming for 80. I think that is what we are getting based on the way our system is set up in the last several months.

Senator PORTMAN. So you are only able to correct 80 percent based on your system. We have also learned that Time Warner Cable uses computer software that is known as Macro that routinely has failed. Is it true that in some months it has been so difficult to fix the error that Time Warner Cable simply does not correct any bills for that month?

Mr. KEIB. If we are talking about the equipment charge, what I can say based on my familiarity with this is that if there was a 20-percent breakage that you referenced earlier that did not—where the, quote-unquote, Macro did not take effect, that the next time we run that report again, it would indeed capture that breakage and try to fix it. That fix would happen the next month.

Senator PORTMAN. OK. From our investigation, we learned that in May of this year, 2016, you did not make corrections for that month because of the computer software issues. And you are saying you will go back and later fix that in this month and succeeding months?

Mr. KEIB. I want to be very clear that I am talking about the process, and the following month, if it did not fix that, we will rerun the same fix. And I would have to verify for you that the very specific customers that you are referring to fall into that bucket to make sure I am being accurate.

Senator PORTMAN. OK. Again, my concern is what Charter is going to do going forward and making sure these customers are both notified and made whole. And I appreciate again that we have made improvements, and based on today's announcements that you have made in the context of this investigation, that you are going to provide some credits. But I hope going forward that you will also provide that information so the customers can understand what the issue is and make them whole. Senator McCaskill.

Senator MCCASKILL. Thank you, Mr. Chairman. I am disappointed that Senator Paul left because I want to welcome him to oversight. I have spent hundreds of hours in this Committee room doing oversight of government, of every part of government. I welcome him to the oversight of our military contracting acquisition process. I have spent hours and hours and hours in many hearings, not only on acquisition there and oversight there, but policy and procedures throughout our government. So I am an oversight kid, and I think if we are going to stop doing oversight because we are unpopular, we might as well put a sign on the door that says, "Gone Fishing," because I cannot think of anything we would be doing oversight on that is, not more popular than us. I mean, we are the least popular right now. But that does not change our obligation to address things our constituents care about. And I think you guys know constituents really care about their TV, and they care about how they are treated.

And so I am not about to apologize for caring about oversight in this area because it is what I have heard from the people I represent. And I am all in on oversight of government, and believe me, when somebody calls with a VA complaint or somebody calls with a Social Security complaint or somebody calls with a cable TV complaint, I am on it. And I am not going to apologize for it, and I hope to see more of Senator Paul here. Frankly, at most of these hearings, we do not have very many people sitting out there. It is pretty dry stuff. It is in the weeds. And I welcome his attendance at many of those hearings in the future.

I want to talk a little bit about the fees and taxes. I have a couple of Charter bills in front of me, one more recent than the other, and I just want to make sure I put this in the record,[1] Ms. Mayo, because one bill, the total for TV services, for Charter cable services, is $158.98. And there is a sales tax of $1.25, and there is a franchise fee of $8.69. And then there is an FCC administration fee of 9 cents. So I have added those up, and that is $10.03 on a bill of $158.98.

On another bill I am looking at, the bill was $54.99 for TV, $39.98 for Internet, and the taxes, fees, and charges were $2.28.

But there is one item under taxes, fees, and charges that I want to spend some time on now, and that is, the broadcast TV surcharge of $5. That is the biggest item under taxes, fees, and charges.

Now, if I get this bill and I am somebody who is not really educated, I am going, "I cannot believe the government is charging me $5 extra for broadcast TV surcharge, because it is right there with taxes."

And then fast forward, and just a few years ago, what was introduced is now not only are we getting broadcast TV charges, but now we are getting Regional Sport Network (RSN) charges.

[1] The bill referenced by Senator McCaskill appears in the Appendix on page 48.

Now, what I want to make sure I understand here is that this has been a decision, I believe by all of you—raise your hand if you did not—that you would take—OK, DISH did not. You did not put any RSN or broadcast surcharge fees in. OK. So DISH decided not to do this, but the rest of you decided that you were going to take something that was in the basic programming fee for buying your service, and you were going to put it in another place on the bill and call it something else.

I would ask you, can you tell me why all of you decided—isn't it true that all of these were previously in your video charges? Mr. Karinshak.

Mr. KARINSHAK. Yes, Senator.

Senator MCCASKILL. And Mr. Keib.

Mr. KEIB. Yes.

Senator MCCASKILL. And Ms. Mayo.

Ms. MAYO. Yes.

Senator MCCASKILL. And Mr. Patel.

Mr. PATEL. Yes.

Senator MCCASKILL. So all of these were in your video charges. And then I believe—I do not know, was it 2 years ago—you just decided, "We will put those down there with the taxes and the surcharges." And some of them started out for Regional Sports Networks, $1.39 a month, and now they are up to as high as $5 or $6 a month.

Did you inform your customers that you were taking something out of what they were normally paying for in their video package and giving it a special line item? And can somebody give me a good excuse as to why that happened? And what is going to keep that from being the future billing model?

Mr. PATEL. Yes, Senator, I would like to explain our decision process. We are a nationally priced product, and so because we have a national service, broadcast channels are available nationally, and we include those in our package.

Regional pricing, regional sports, however, vary significantly market to market. Essentially what has been happening is, in the particular market, a content company may decide to buy the content rights for a sporting team. And I will use L.A. and the Dodgers as an example, and they will pay an outrageous amount for those rights, create a new channel, and effectively try to force-carry that channel in a market.

And so for us, the choice on Regional Sports resulted from being in a market like New York where you have lots of teams and consumers in New York get access to all of those regional channels, versus in a market like St. Louis where the costs are one-third to one-fourth of what the New York costs are. What we did not want to do was to essentially pass on all of the costs to all consumers. To us, carving out RSNs was a way to essentially put the costs where the content was available and where the customers were benefiting. And as we did that, in a third of the country, we do not charge RSNs because the rates for RSNs have not—these deals have not been struck—and they have not escalated. So that is included in our base packaging. But in markets where rates are four times what they were a few years ago and there are significant charges, we did not want to levy those on customers who do not benefit from the programming.

To put the fee in context, in all of our markets, the RSN fee is less than 50 percent of our underlying cost for RSN in that market. And so that was our decision process because we are nationally priced product. We did not do that for broadcast fees because broadcast channels are available nationally.

Senator MCCASKILL. Don't they belong up above, though? Don't they belong with your part of the bill? Aren't they, in fact, programming costs? They are not taxes. They are not something that you—I mean, this is something that is part—I mean, why are they being put in this category to give the consumer the impression that this is something the government is doing to them?

Mr. PATEL. Yes, I think in our bill it was in other charges, but that is a fair observation, and maybe that is something we will go back——

Senator MCCASKILL. Why did the rest of you put this down with taxes as opposed to putting it up with your programming costs?

Ms. MAYO. Senator, we did put the broadcast surcharge in the charges and fees section. We do not charge an RSN at Charter. And we did that not to try to make it look like it was a government-issued fee or charge, but it is nondiscretionary. If we put it in the video section, the concern was the customer would then be calling and saying, "I do not want that. I would rather not have that."

Senator MCCASKILL. Well, HBO is in that section, and they do not have to have that.

Ms. MAYO. No, they could remove the HBO product but not the broadcast basic product.

Senator MCCASKILL. Then maybe you should create a whole category, nondiscretionary extra programming, and maybe then people would begin getting angry about the amount of money that is being thrown around in sports right now that is causing these prices to go so high, which is the subject of hopefully another look at what you all are going through in terms of shifting sands in terms of your programming costs. I get that is another component of this.

What about for Comcast? Why does that fee go down in a section that makes customers think it is a tax?

Mr. KARINSHAK. Senator, we agree with you around the importance of the disclosure. We did notice our customers, and we do not include it in the area with taxes or any government-mandated fees or surcharges.

Senator MCCASKILL. That is terrific. I will just have one other question, and then I have a bunch for the record.

I know that you all in the past, Mr. Karinshak, have reviewed complaint data to determine the percentage of customers who stated that a Comcast representative quoted them the wrong price. In some cases this was as high as 30 percent for certain complaint types. Did you take on an analysis to determine whether the customer was right in connection with that?

Mr. KARINSHAK. Senator, we do look at our complaints data, and we still have the opportunity to improve our disclosures for some of the things I had referenced before around implementing the order summary at the end of every point-of-sale interaction, for being able to go through and send the email, as well as on the video bill, and reinforcing the 30-day money-back guarantee. That was one input that we looked at in ultimately making those changes.

Senator MCCASKILL. No one has had a chance to address this. Does anybody want to address, before I close—and I will have a bunch of questions for the record.

Does anybody want to address the practice of charging someone to remove an optional product from your bill? Mr. Patel.

Mr. PATEL. I can answer that.

Senator MCCASKILL. That would be a good one for you to take.

Mr. PATEL. We do not charge for removal of any services other than warranty service, and the reason that that is in place is essentially to prevent gaming. A lot of times when a consumer requires free services or a free upgrade, which is a part of our protection plan program, they can get an equipment upgrade every 2 years. What we were trying to prevent is a consumer getting that benefit and then the very next month removing the service. And so that is the only service through which—

Senator MCCASKILL. And that was a problem? Somebody would get an equipment upgrade and then the next month quit?

Mr. PATEL. Yes, you know, so one of the—I mean——

Senator MCCASKILL. That makes no sense.

Mr. PATEL. Well, no. What we——

Senator MCCASKILL. Why would you go through the trouble of dealing with you guys to get an equipment upgrade, get somebody out there to change your box or whatever, and then quit the next month. That is not logical.

Mr. PATEL. No. The point is the equipment upgrades. As you transition from standard service to HD or now HD to ultra-HD, customers normally would have to pay for that equipment upgrade. And one of the benefits of the protection plan is that in up to four rooms within your home you are able to get that equipment upgrade free every 2 years. The thing that we were trying to solve is the very one that you mentioned, which is, before, if an existing customer wanted to upgrade, they had to call their provider, haggle, maybe threaten to leave, and maybe then they would get that upgrade as a complimentary service. So we made this a part of our protection plan program where every 2 years you can refresh your experience in up to four rooms——

Senator MCCASKILL. I am just telling you, I——

Mr. PATEL. And, you know, it just——

Senator MCCASKILL. I am not aware of that, and you are one of my providers, and I have never heard that I get free upgrades every 2 years. And I did not get any of that information when I tried to change that. So I think there is a disconnect between what you believe is going on in the field and what is actually going on in the field.

Anybody else want to give me a reason why you charge someone to quit paying you something?

Ms. MAYO. Senator, if I can, we do not charge any kind of change-of-service fee for upgrades or downgrades at Charter. And we do not charge any kind of early termination fee. So we know that we have to win our customers' business every single day because they could walk out the door any day. Those are fees that we are not enamored with and we do not use.

Senator MCCASKILL. Anybody else want to talk about—I think DISH charges to get rid of the protection also. You guys charge.

Ms. SCHNEIDER. It is true. We have a $3 removal fee, and it is a very similar situation to the one that Rasesh just described where if the customer—so what we normally charge somebody for a truck roll is $95. If a customer is on the protection plan, they pay a greatly reduced rate for that. So they will pay $10. The protection plan is unique for us because you can add it the day that you need it, right? So if you call us and you have an issue and you require a truck roll, you can add the protection plan. It is $8. And what we ask folks to do is keep it for 6 months.

Senator MCCASKILL. I see. That makes sense. I just wanted to say for the record that your regulatory—your RSN fees are put in other charges and credits, which include other charges like regulatory recovery fees. So I am not sure it is really clear that that is something you guys are charging for that.

"Inside the Box," I recommend it. It is on the website, McCaskill.Senate.gov. I recommend the Subcommittee joint report to anybody who buys pay-TV. You will learn a lot. And I want to thank all of you for cooperating in the investigation. I really want to thank the Chairman for his patience with me. He is very patient with me. We are good cop/bad cop, and he is definitely the good cop. [Laughter.]

Senator PORTMAN. Well, again, it has been very productive over the last year during this investigation, and I think we have seen here today, one, some practices that you have specifically undertaken which are going to help improve the customer experience and customer service. I do not think it goes far enough, as we talked about, in terms of providing actual refunds to customers who have been overbilled. I understand some have been underbilled, some have been overbilled, but that does not help the family that has been overbilled, and it is not fair.

With regard to your testimony generally, though, it sounds like there are also some other customer service policy changes you all are considering based on this hearing and our investigation, and that is appreciated.

On the RSN fee, I would just say this is, again, for people who are not familiar with, it is the Regional Sports Network fee that you are charging. You choose to put it on the bill separately. You could put Cable News Network (CNN) on the bill separately if you wanted to. But my concern about it is that it does appear in some bills with some of the companies in a place where it looks like it is a government fee, and I would again hold up this bill from Ohio, which is, the bill that I get, my wife, Jane, and I get, and it says, "taxes, fees, and surcharges," and it has franchise fees, State sales taxes, FCC regulatory fee, FCC regulatory fee voice, Universal Service Fund, regulatory recovery fee, Ohio TRS recovery fee, and then it has broadcast TV and sports programming, which is where the RSN is. And I do not think that is the right place for it because then people view that that that is a mandatory government fee like the other ones.

So I would ask you, Ms. Mayo, are you aware of that? And with regard to your legacy Time Warner customers, I understand you do not charge it separately, but with regard to your new customers you are now taking on, do you plan to keep this in the category of fees and other government charges or to have this in a more, I think, honest display where it is either by itself or with other fees?

Ms. MAYO. So I am aware of it now, and, yes, our intention is to overlay Charter's business practices with Time Warner Cable, and we do not charge an RSN fee, so hopefully that will be something that will be removed entirely from the bill.

Senator PORTMAN. Well, again, I appreciate the fact that we have been able to talk about some of these very specific issues that I hear from my constituents about and you hear from your customers about, and I appreciate the fact that everybody has been very candid today in talking about this.

Let me also mention, because Senator McCaskill mentioned it, that with regard to the oversight responsibilities here, to the earlier comments made, this Subcommittee has done significant oversight of exactly what Senator Paul was talking about—in other words, looking at government, looking at our economy, which is, disappointingly weak, looking at government spending. Specifically, we have had a series of investigations and hearings on issues like tax reform, which goes directly to economic growth. We have had hearings on the Affordable Care Act (ACA) and a lot of the waste and taxpayer loss specifically that relates to the co-ops, and we have done some great work on that.

We have also, though, looked into other issues like labor trafficking and the Health and Human Services (HHS) and how they allowed kids to get into the hands of traffickers, certainly government oversight there.

Next month, we will be combating—looking at ways to combat Islamic State of Iraq and Syria (ISIS) propaganda and, again, looking at our government response to that. For those of you following what we do, that will be something we will be looking at next week, certainly a topical issue and one that everybody is very concerned about: How do you stop this ISIS propaganda from taking more and more of our impressionable young people who feel alienated and radicalizing them.

Then we are also going to look at this opioid abuse issue, which is at epidemic levels. This is the heroin and prescription drug epidemic around the country and some specific issues that we think this Subcommittee can provide some additional insights on. So we have done tough, significant, important oversight, and we will continue to.

Again, I appreciate the witnesses coming here today and the fact that this process, not just the hearing today but the investigation, has improved some of your individual practices as it relates to the people that we represent.

I want to thank Senator McCaskill again for her work on this issue over the years. This is not, as you can tell, her first time dealing with this issue. I am not on the Commerce Committee, but she has done a lot of work on this issue and focusing on consumers there. And as we move forward, again, we are going to continue to look at the industry and look at this issue of consumer choice and competition. I do think ultimately that is the answer, is to give people a range of choices. We have talked today about there is competition, but there are also some concerns about having more competition.

I think innovation is going to be allowed to flourish and new products are going to come to market, and consumers are going to be better off when there is competition. So we will be looking at some of those barriers to that. And we will also be looking at other issues that might have come up today.

I will have some additional questions for the record.

I appreciate the prompt responses you have given us to previous questions. And specifically to the companies who are here today, I thank you for your willingness to cooperate with us in this investigation and, again, what I think has been a positive hearing to have an honest airing of some of the concerns on the consumer side.

The hearing record will remain open for 15 days for any additional comments or questions by any of the Subcommittee members, and with that, this hearing is adjourned.

[Whereupon, at 12:03 p.m., the Subcommittee was adjourned.]

APPENDIX

Hearing of the Permanent Subcommittee on Investigations
"Customer Service and Billing Practices in the Cable and Satellite Television Industry"
June 23, 2016

Opening Statement of Chairman Rob Portman

This hearing will come to order.

We are here today to discuss a subject that affects, and occasionally frustrates, families all over America: your cable or satellite TV service. For more than a year now, Senator McCaskill and I have undertaken an investigation of the cable and satellite television industry. As many of you know, Senator McCaskill has been interested in this issue for many years, from her role on the Commerce Committee. We both have a keen interest in making sure cable and satellite companies do right by their subscribers.

The Subcommittee reviewed thousands of documents, and interviewed countless witnesses, to learn more about the consumer practices of five of the largest pay-TV providers: Comcast, Charter, Time Warner Cable, Dish Network, and DirecTV. Together, these companies serve more than half of all American households, and nearly three-fourths of those that pay for television programming.

Today's hearing will focus on those companies' billing and customer-service practices. Our joint report outlines troubling findings about the practices of two cable companies that have consistently *failed* to provide refunds to customers who they *know* they have overcharged, including thousands of people in my home state of Ohio. I'll describe those findings in just a minute. The second is a report issued by Senator McCaskill on a number of issues of interest to consumers: how pay-TV companies disclose their prices; what those fees are for; and how they teach their employees to interact with and retain customers.

And without objection, those reports are ordered to be made part of the record.

During the course of the Subcommittee's investigation, we discovered something about refunds I found hard to believe. As everyone with a cable or satellite subscription knows, when your bill arrives every month, it often has a long list of charges on it: A base charge for your TV package; maybe $10 extra per month for HBO; and equipment fees and surcharges for the set-top boxes you rent.

Given how many millions of people get television service from these companies, it's inevitable that from time to time a customer will wind up being charged for something by mistake. The same thing happens sometimes in the grocery store check-out aisle. Mistakes happen—we all understand that. What matters in life is how you own up to your mistakes and make things right. What we discovered is that some cable and satellite companies are better at that than others.

All of the companies before us have ways of identifying overcharges to customers or preventing them from happening in the first place. But what happens when they find out they've been overcharging someone for equipment they don't actually have? The first thing to do, of course, is take it off the customer's bill going forward. All the companies before us know to do that. But *not* all of them bother to go back and figure out when the overcharge started, calculate how much they owe the consumer, and give them a refund.

During the time period examined by the Subcommittee, Time Warner Cable and Charter Communications—who have just recently merged with each other—made no effort to trace equipment overcharges they identified and provide refunds to customers. Instead, their practice has been to just pocket the past overcharges.

To understand the scale of the problem, we asked Time Warner Cable for specific numbers about overcharges in our home states. Here's what we found: During just the *first five months* of 2016, Time Warner Cable overbilled up to 11,000 customers in Ohio—and those overcharges totaled $108,000. Time Warner Cable further estimates that, throughout last year alone, it overbilled 40,000 Ohio customers with overcharges of more than $430,000. And rather than correct the mistake by refunding the overcharges, the company just kept money. In my view, *that is a rip-off of Ohio consumers*, and I'll be asking the company today how they are going to fix it.

Specifically, when Time Warner Cable discovered the overcharges, it only dealt with the problem prospectively. It took erroneous charges off customers' bills going forward, but did not provide any backward-looking refunds and did not even provide notice to customers so they could investigate the problem themselves. They just kept the money. Based on data provided to the Subcommittee, Time Warner Cable will overbill its customers nationwide an estimated $2 million for equipment charges in 2016, and, even after discovering those billing errors, will fail to do the work required to offer a full refund.

Time Warner Cable has recently been acquired by Charter Communications. So I'm hopeful that the new company will work quickly to fix this problem.

But Charter has had problems of its own. Until August 2015, the company did not run *any* systematic audits to reconcile its billing records with equipment records. That means that overcharged customers could not even receive a prospective correction of their bill unless they spotted the problem themselves and contacted Charter. Just recently, Charter began taking steps to identify equipment overcharges currently on its system. But even though it has identified overcharges, removed erroneous charges from future bills since August 2015, until today, Charter has not provided any refunds or notice of the problem to consumers—just like Time Warner Cable.

It does not have to be this way. Our investigation revealed that Comcast, DirecTV, and Dish have had much better practices. Comcast and DirecTV provide automatic refunds or credits to customers who have been overcharged by their billing systems, while Dish's billing system is designed to prevent these types of overcharges from occurring in the first place. So feasibility is just not a good excuse for failing to refund customers when you've overcharged them.

We do have some good news to report today. As a result of our investigation, Charter and Time Warner Cable have taken steps to improve their practices. Time Warner performs a monthly audit to find overcharges. Going forward, the company will provide an automatic one-month credit to all customers for each piece of overbilled equipment or service, and it will provide notice to overbilled customers so they can determine whether to request a credit or refund. That is a good start but it does not make customers whole. Time Warner Cable has not yet committed to do anything for the 40,000 Ohio customers, for example, who were overcharged last year. And we will get into that discussion today. Charter has announced that starting today it will provide a one year credit to all affected consumers. This goes further to make customers whole but what would be better is to simply ensure that customers receive the full refunds they are do.

Senator McCaskill's report shows that Americans are often unhappy with their cable and satellite service. Questionable customer service techniques and confusion surrounding billing practices have led consumers to feel mistreated. I support her effort to get to the bottom of those issues, and I believe that the best solution to the problem of poor customer service is more competition in the pay-TV industry. Regulations have their place, but what's really needed is for consumers to have a more options—more competition in the market. If you do not like your television service provider, you should be able to choose a different provider that suits your needs and preferences, and Senator McCaskill and I are both interested in continuing to examine how this industry can be improved to create more choice for consumers.

I want to thank Sen. McCaskill for her hard work. She has always been a stalwart friend of consumers. She and her staff have work with us in a professional and productive manner to make today possible.

Customer Service and Billing Practices in the Cable and Satellite Television Industry

June 23, 2016

Senator Claire McCaskill

Opening Statement

Thank you, Chairman Portman. I am glad we were able to work together on this investigation and the joint report. With your consent, I'd also like to enter the Minority Staff report into the hearing record.

This morning, for the first time, representatives of our nation's largest cable and satellite companies are testifying together before the U.S. Congress about their customer service and billing practices. They are here because this Subcommittee has broad jurisdiction to investigate issues which affect the American people. And few other industries touch as many Americans as the companies that provide them with television.

The five companies here today provide video services to more than half of all American households. They enable more than 71 million subscribers and their families to receive news, entertainment, and other programming. And while we may love watching our shows, we don't love our cable and satellite bills – and we hate dealing with the cable and satellite companies. Although the companies have made some gains in the last year, paid TV providers remain among the most disliked industries in America. This year, a survey of consumers found that more than 20% of the people who had interacted with TV providers reported having a bad experience during the previous six months, the highest level of any industry.

Over two years ago, I called my service provider about a $10 charge on my bill. I learned that I was paying a fee that the company was no longer charging its newer customers and that the company would immediately remove the charge on my bill. I also learned that the only way that I could have known about this and gotten the fee removed was to do exactly what I did and call the company. Had it been up to the company, I would have been paying that fee forever. This experience prompted my interest in how these companies treat their customers.

Just this week I called my other service provider to ask to remove the $7.99 fee that I'm paying for a protection plan. The agent I spoke with insisted that it would cost me $10 to remove the fee from my bill. I asked repeatedly about why I needed to pay a fee to stop paying a fee. Finally, I threatened to quit and the agent transferred me to a retention agent who told me that, no, I didn't need to pay a $10 fee because I had had the plan for more than a year. Had I stayed on the phone with the first agent, I would have been stuck paying that fee.

I tell you these stories because I have had personal experience with the kinds of problems we uncovered in our investigation.

We found that customers are being charged a host of fees that are not included in advertised pricing, some of which are for programming that used to be included in a customer's video package. We also found that, just as many customers have long believed, some of these fees, like the HD and DVR service fees, aren't a true reflection of the cost to the company of the service, but rather are based on the revenue goals of the company, and the price a customer is willing to stomach. In fact, some of these fees are charged to old customers while new customers get the same services free of charge. Existing customers may not be informed of this, and when they finally do find out they have to call and complain in order to get the fee taken off their bill.

We found that the customers who called for help on their accounts face agents whose job it is not just to solve the customer's problems, but to sell them additional services. At one cable company, even when the customer called in to ask about why their bill was going up, the company told them QUOTE "[t]he price adjustment brings with it an opportunity to upsell customers." And these agents are compensated, in part, based on their ability to sell you more.

Then, if customers decide that they want to cancel their service, they have to jump through more hoops. Although all the companies here today allow people to sign up for service or upgrade their service online, none of them provide customers an option to cancel service online without speaking with company representatives. And if they call, they have to speak to retention agents, like the one I spoke to this week, who are trained to prevent the customers from canceling. Even when customers say they don't want to have this discussion, the agents are expected to ask questions about why the customer is canceling. If the customer objects to the so-called "solution" offered by the retention agent, then the companies tell their agents, QUOTE "[c]ustomer objections are really just opportunities to further educate them." And QUOTE "objections are not the end of the conversation."

Customers trying to save money by lowering their level of service are often routed to these same agents, and should be prepared to negotiate aggressively. We found evidence that these companies train their agents to question customers' decision to drop channels, and make offers in a "top-down" fashion, so that customers must push repeatedly to get the best deal.

Finally, we found that two of the companies have failed to provide their customers with notice that they have been overcharged or refunds of past overcharges. Time Warner Cable estimates that, in 2015, it overbilled 4,232 Missouri customers a total of $44,152, and Charter estimates that it has annually overcharged approximately 5,897 Missouri customers a total of $494,000 each year.

One thing customers want to know is WHY cable companies' customer service is so bad. The short answer, of course, is that for too long there hasn't been any real competition. In its latest competition report, the FCC estimated that about 61% of U.S. homes only have the choice of one cable company or the satellites if they want to watch television. We plan to continue our investigation of competition issues in the pay-TV market, and I look forward to reporting our findings in the coming months.

I want to acknowledge the cooperation we received from all of the companies represented before us today, as well as acknowledge that they have all made commitments to improve their customer service. Unfortunately, our investigation suggests that there is a long way to go.

I thank the witnesses for their testimony.

Charter

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Account: [redacted]
Security Code:

Contact Us
visit us at charter.com or call
1-888-GET-CHARTER (1-888-438-2427)
8634 0110 NO RP 20 09212014 YNNNNYNN 01 005419 0019

Charge Details

Previous Balance		271.58
Payment - Thank You	09/03	-271.58

Payments received after 09/20/14 will appear on your next bill.

Adjustments

CHARTER BUNDLE DISCOUNT	09/20	-20.00
Adjustments Total		-$20.00
Remaining Balance		-$20.00

Service from 10/01/14 through 10/31/14

Charter TV®

Digital Home Includes: Basic, Expanded, Digital Receiver & Interactive Services		66.99
Digital Receiver and Interactive Services		6.99
DVR Receiver Upgrades and Service at $15.00 each		30.00
Digital View		5.00
Premium Pkg Showtime & Movie Channel, HBO & Cinemax, STARZ & Encore		40.00
Sports View		10.00
		$158.98
Taxes	Sales Tax	1.25
Fees & Charges	Broadcast TV Surcharge	5.00
	FCC Admin Fee	0.09
	Franchise Fee	8.69
		$15.03
Charter TV® Total		$174.01

Charter Internet®

Internet Service		47.99
Internet Modem Lease		9.00
		$56.99
Taxes	Sales Tax	0.75
		$0.75
Charter Internet® Total		$57.74

Charter Phone®

Phone number (636)

Unlimited Long Distance Includes: Phone Line, Modem, 10 Calling Features, Unlimited & Statewide Calling		39.99
Voice Mail - Basic		0.00
		$39.99
Taxes	Federal Excise Tax	0.23
	Telephone Sales Tax	3.06
Fees & Charges	Line Access - Primary	7.50
	Federal Universal Service Fund	2.34
	Regulatory Cost Fee	0.36
	State Deaf Tax Surcharge	0.08
	State Universal Service Fund	0.05
	State PUC Fee	0.03
	County E911 Surcharge	1.35
	Local License Tax	1.43
		$16.43

For additional call details and terms of service please visit www.charter.com/calldetails

Charter Phone® Total	$56.42

Other Charges

Wire Maintenance	4.99
Other Charges Total	$4.99

Continued on the next page....

Local Charter Store: 1015 Washington Sq, Ste C, Washington MO Store Hours: Mon thru Fri - 9:00am to 6:00pm; Closed Sat

Payment Options

Pay Online– Create or Login to MyAccount to payor view your bill online atcharter.com/myaccount

Pay with your Mobile Device- Visit m.charter.com Login to MyAccount from My Account & Bill Pay.

Pay by Mail– Detach payment coupon and enclose with your check made payable to Charter. Please do not include correspondences of any type with payments.

For questions or concerns, please call1-888-438-2427.

HEARING BEFORE THE SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

June 23, 2016

Testimony of Tom Karinshak
Senior Vice President of Customer Service, Comcast Cable

Chairman Portman, Ranking Member McCaskill, and Members of the Subcommittee, thank you for the opportunity to be here today. My name is Tom Karinshak. Since November of 2010, I have served as the Senior Vice President, Customer Service, at Comcast Cable. Among other things, I oversee our call center operations, including our phone, chat, and social media representatives. In a nutshell, my leadership team's job is to give our frontline employees the tools and training to be responsive to the questions and needs of our customers and potential customers who call and email us every day.

Comcast welcomes the Subcommittee's interest in customer service and billing practices in the pay TV industry. I look forward to providing an overview below, and also want to thank your staff for the courtesies extended to us throughout their review. I had the opportunity to meet with them late last year at which time they provided us with a greater understanding of your concerns, some of which we've already taken direct actions to address.

At Comcast, we understand why we are here. We and the industry as a whole have not always made customer service the high priority it should have been. We regret that history and have committed to our customers that we will lead the way with initiatives to change it; we are committed to making every part of our customers' experience better, and we have already begun to do so. In short, we are committed to making customer service the best product that Comcast offers to its customers. We believe that we are fortunate to be invited into people's homes to entertain and educate them, to connect them to their friends and family, to help them with their homework, and to allow them to unwind after a long day at work. None of that is possible when you can't get a question about your account or service answered quickly; or when it takes multiple calls to get help fixing a bill or a service problem; or when you have to miss work waiting for a technician who doesn't come during his or her scheduled appointment window.

There are lots of historical reasons that provide an explanation for why these issues existed. They range from the evolution of the industry as it has grown from a series of locally franchised cable systems with different billing and customer-facing systems, to the complexity of the products being offered, to a complicated web of regulation at every level of government.

But we are not here to make excuses. Improving customer service is imperative not only because it's the right thing to do and our customers deserve it. It's also imperative because the competitive marketplace in our industry will make any other outcome untenable.

While we still have much to do, I want to assure you we are working to make our customer service work for you and all of our customers. Our goal is simple. We want every customer to have an exceptional experience with us—from the moment they order a new service, to installation, to the way we communicate with them and bill for services, to how we respond to issues. To that end, we've begun a wholesale effort aimed at transforming our customer experience.

The foundation of that effort is what I like to call the Comcast Customer "Bill of Rights." These are the core principles that are guiding our customer service revamp. I'd like to lay those principles out for you:

- **Investing in Training and Technology for all Employees.**
- **Giving All Customers Access to Products and Services that Work Best For Them.**
- **Ensuring a Fair Price for All of Our Customers.**
- **Being on Time and Minimizing Wait Time, All the Time.**
- **Giving Customers Control over Their Comcast Experience by Enabling Self Service Whenever Possible.**
- **Keeping Bills Simple and Transparent.**
- **Reassessing Policies and Fees That Frustrate Customers.**
- **Crediting Customers Proactively for Outages and Billing Errors.**
- **Allowing Customers to End Their Service Without a Hassle.**
- **Measuring Our Employees on Customer Satisfaction.**

These are not empty promises. Comcast is spending an incremental $553 million[1] this year alone on improving the customer experience. Included in these expenditures are the creation of 5,500 new customer service jobs over three years all here in the United States, 2,000 of which are located at our new or soon to open centers in Albuquerque, New Mexico, Spokane, Washington, and in Tucson, Arizona. Having served on active duty in the U.S. Army for six years, I'm also particularly proud of our efforts to increase the hiring of military veterans and their families, both for these new positions and many others. We've committed to hiring 10,000 reservists, veterans, and their spouses or domestic partners between 2015 and 2017 and are on track to meet or beat that goal.

We are also committed to ensuring that when our customers speak to Comcast representatives, they are speaking to representatives that have received comprehensive and consistent training. As we've told the Subcommittee staff, training and feedback for our customer service and retention representatives are constant. As an example, we recently

[1] This number includes more than $300 million in spending on operating expenses and additional spending on associated capital expenditures related to improving the customer experience.

completed peer-led training sessions with nearly 80,000 employees about the customer experience and how each and every employee plays a role in our transformation efforts. We've also overhauled our training by rolling out the Net Promoter System (NPS), which is the gold standard in consumer-facing industries. NPS is based on one simple question: how likely is a customer to recommend Comcast services? Our call center personnel get real-time feedback from the system and managers are able to quickly learn about potential issues. So far, we've seen quick and meaningful improvements in customer satisfaction where NPS is being used, and we are continuing its roll out in all of our footprint. In Portland, Oregon, we've seen customer satisfaction improve by 21 points and employee satisfaction improve by 40 points, since the NPS program's inception.

I will address many of our initiatives in additional depth during the remainder of my remarks. For now, let me note that while there is still a long way to go, we are seeing real improvement. Our customer service satisfaction numbers are up 11.5 percent since 2014 and our customer dissatisfaction numbers are down 20% in the same time period. We have experienced a 35% reduction in customer calls to agents since the end of 2013, and that reduction was driven by a 27% reduction in the number of customers who need to call us back. Our on-time arrival rate for technician appointments—using only a two-hour appointment window—reached an all-time high of 98.9% in Q1 2016.

I. Retention/Sales Issues

We believe that we offer our customers the best products and the best value in the industry. In the vast majority of cases, when a customer calls and says that she wants to cancel her service, she is calling because she has encountered a particular issue with her service that we haven't yet resolved. Our retention representatives are trained to help resolve those concerns. And because we do that more often than not, more than 80% of all customers who speak to one of our retention specialists do not disconnect their service.

Our retention specialists receive extensive training—six weeks—before they even start on the job. They receive regular "refresher" trainings throughout the year, including through one-on-one coaching sessions, and monthly and annual evaluations by their supervisors.

While we want to preserve all of our customer relationships if possible, our specialists are trained to process customer requests to disconnect and downgrade their service as quickly as possible when this is the customer's wish.

We've heard and appreciate the Subcommittee's concerns about this topic. In response to those concerns, we've provided additional guidance to our retention representatives about the disconnect process for our customers and continue to work on ways to further streamline disconnect requests. For example, we're piloting a program to make it easier to cancel service online. As part of the pilot, customers can now log on, enter a request, and cancel their service. We follow up by phone within two days just to verify the request, which we have to do for privacy and identity protection reasons (e.g., to verify the identity and credentials of the individual who canceled the account), and we will even make arrangements for them so all they have to do is drop any equipment they have at a local UPS store and have it sent back to us at no charge. We are continuing to explore other ways to make this process even simpler for our customers.

In all cases, our goal is to ensure that our customers—even those who are leaving—have a positive experience. We think that's why over 35% of customers who leave Comcast return within 12 months.

We have also heard the Subcommittee's concerns about customers who threaten to quit getting better deals. Comcast believes our standard rates provide customers with a fair price, and as a result we do not have "special offers" or discounts for customers who threaten to disconnect their service.[2] Our retention specialists work with customers to find the best package for the customers' needs. Sometimes, that is a package with fewer services or channels that costs less. Other times, it's a bundle that includes an additional product or service. In all events, our retention specialists ask questions to try and learn about how a customer wants to use our services so that they can be matched with the best possible set of products and services.

II. Billing/Fees

We are also working to simplify billing and provide greater consistency and transparency to our customers. We offer our customers up to four "core" products (video, Internet, phone, and home security), and there are dozens of permutations within each product, ranging from whether you order a pay-per-view movie that month, to the speed of your Internet, to your video programming package. In addition, there are multiple fees and surcharges that we assess and collect on behalf of local, state, and the federal government that appear on the bill. Add on the fact that our products are already some of the most complex products in the home, and it's understandable why there has been confusion. To be sure, our bills were not always as clear as they should have been. That's why we've worked to streamline bills, remove unnecessary charges and items, and reformat our bills so that the bottom line is clear to our customers.

Customer confusion over billing results in significant costs to us. It dramatically increases the number of customer calls that we receive, and our own data shows that it's a major source of dissatisfaction among our customers. And we are very aware that customers who have billing issues with their providers can and do change their providers.

That's why we've undertaken a number of initiatives to make our customers' bills as accessible and as easy to understand as possible.

- Where customers have shared with us their email addresses, we send them email summaries of their order and their resulting bill as soon as they order service or make a change to their existing service.

- We send all new customers and customers on a new rate plan a "video bill," a short, personalized video that explains everything customers need to know about their bill,

[2] Indeed, a recent article in *Consumerist* noted that customers who have "tried to negotiate better TV or triple-play rates with Comcast [say that] the calls are ending [] with rates unchanged." *See* Kate Cox, The 3 Big Things We've Learned About Your Cable Bill, CONSUMERIST (May 17, 2016), available at https://consumerist.com/2016/05/17/the-3-big-things-weve-learned-about-your-cable-bill/.

including information about all fees and regulatory charges, including their first month's price, monthly price, the meaning of various recurring fees and charges, proration and non-recurring charges, and information about how to auto-pay.

- Our popular "My Account" app enables customers to easily access their account information, see any new charges or credits, pay their bill, receive updates on their rate plan and even troubleshoot technology issues. We also give customers the opportunity to view and pay their bills through their X1 set-top box and are working to give customers even more choices. You can even schedule an appointment for a Comcast representative to call you at a time that is convenient for you, rather than waiting on hold. Over 4 million customers are already using the app, and more than 9 million are using our self-service options.

- When a customer logs in to our website, we prominently and clearly highlight the total amount that they owe on their next payment, without having to click to a special page.

We have also dedicated ourselves to training our customer service representatives to summarize every customer's order, including all fees and charges. And to ensure that this training is followed, it's an important component of all customer-facing representatives' monthly and annual evaluations.

We also offer all customers a 30-day money back guarantee. Comcast honors this guarantee for any customer who wishes to cancel any new product or service. This policy helps to ensure that no customer is locked into services or equipment if he or she is not completely satisfied with the service or the rates and fees charged.

We do offer time-limited promotional rates in certain circumstances. These prices are a by-product of the highly competitive marketplace for all of our services. We are competing to win business away from our competitors, and they are certainly competing to take business away from us. Those promotions benefit consumers by providing them with lower prices and the opportunity to experience a different product line during the promotional period.

We've worked to simplify and limit the number of promotional rates that we offer in a particular market. Our customer service and retention representatives are trained to identify for customers the duration of their promotional rate. At the time they sign up for a promotion, customers who provide us with an email address receive a summary of their bill that includes notice of the end-point of their promotional rate. Our written advertising materials also clearly state the current post-promotional rate so that the customer knows what their rate would be if they retain the same level of service.

III. Fees and Surcharges

Depending on the services a customer receives, there can be a large number of taxes, fees and surcharges on a customer's monthly bill. This stems mainly from offering products that are heavily regulated at the local, state, and federal levels, including dozens of assessments that we collect from our customers for governments. Comcast does not mark up or profit on these fees.

In recent years, a number of pay TV providers, including Comcast, have begun breaking out and separately billing standalone charges to reflect the increased costs associated with the carriage of certain sports networks and the retransmission of broadcast stations' signals. Those particular costs, along with the costs of programming generally, have been skyrocketing in recent years. From 2011 to the present, program costs have increased each year between 6 and 8.5%. We decided to separately bill those increased costs—as opposed to simply raising our sticker price—so that our customers would have complete transparency into why their bills were increasing. Indeed, these costs are increasing so rapidly that the amounts that we are now charging do not cover either the programming fees we pay to regional sports networks or the retransmission consent fees we pay to broadcasters. As the same *Consumerist* article that I referenced earlier states, Comcast was the pay-tv provider that struck the best balance between transparency and clarity.

Because of our long history of being subjected to FCC-mandated rate regulation, we base fees for equipment like remote controls and services like installation associated with its basic cable service on the actual cost of providing the equipment or service. Under this historical regulatory framework, these rates are established using a formula that includes the actual cost of the equipment or service to Comcast plus a specified margin for expected service calls. Specifically, we established an "equipment basket" that includes "direct and indirect material and labor costs of providing, leasing, installing, repairing, and servicing customer equipment." *See* 47 C.F.R. § 76.923. Permitted charges for equipment are then calculated based on the equipment basket costs. These calculations are documented in Form 1205, which is filed annually with the FCC. Comcast recovers through associated fees less than 100% of its costs in supplying this equipment and providing these services.

Other fees and charges relate to optional add-on services like our DVR service or for enabling HD technology. By charging for these services on a standalone basis, we allow customers who do not need or want them to bypass the associated charges, which they would otherwise bear in part if the costs were simply bundled into our standard rates. And our new "Partner Program" enables customers to access our programming through third-party set-top devices and smart TVs, avoiding the need to rent a set-top box from us. We've already entered into an agreement with Roku that will allow our customers to access their cable TV service via a Roku streaming player or directly on a Roku TV.

We've also recently stopped charging for fees, to further simplify our customers' bills. For example, we no longer charge change of service fees.

IV. Recent Initiatives

As I referenced at the beginning of my remarks, we are in the midst of transforming our customer experience. In 2015, we announced a new, multi-year plan to reinvent the customer experience and to create a culture where all employees are focused on exceeding our customers' expectations, at all levels of the company. That plan was informed by our review of customer service data, including our assessment of surveys and customer complaints. We also received input from our customer service representatives about what worked and what didn't, and the tools that they needed to better address our customers' needs.

The core elements of the plan include:

- Creating more than 5,500 U.S.-based customer service jobs over the next three years;
- A goal to be on time for customer appointments *all the time* or we automatically credit a customer;
- Major investments in technology and training to give employees the tools they need to deliver excellent service;
- The renovation and opening of hundreds of retail stores across the country;
- The development of new customer-facing technologies that will enable customers to interact with us how and when they wish.

For example, we are currently rolling out a new, cloud-based platform that gives employees a better, holistic view of the customer's account history so they have everything they need at their fingertips to help customers faster and you won't need to start over each time you talk to a different agent. We're also enabling self-service whenever possible to give customers the same tools our agents have.

We are also redesigning all of our retail stores and opening many more, adding staff and introducing new capabilities like intelligent queueing that allows customers to reserve a place in line from their mobile phone, to cut wait times.

We have rolled out an initiative to credit customers $20 automatically if a technician does not arrive on time for an appointment for any reason. In addition, we've hired hundreds of additional technicians and brought our dispatch operations in-house in order to reach the goal of always being on time for customer appointments. And our tech tracker tool allows customers with scheduled appointments to receive alerts when one of our technicians is about 30 minutes away from arriving at the customer's house, and to track this technician's progress on a map. This prevents our customers from needing to just sit at home and wait for an appointment.

Other recent innovations designed to improve our customer service experience include:

- Launch of an interactive troubleshooting guide within the "My Account" app, which takes customers through steps designed to help fix whatever issue they are having on their own, without needing to make an appointment to see a technician;
- A unique partnership with UPS Store and Amazon to allow for the easy and free return of equipment when a customer cancels their account;
- Deployment of a 125+ person social media team to handle individual customer issues;

- Standardized and improved call forecasting and workforce management practices to help ensure the right number of agents are available at any time;
- Deployment of email confirmation messages for customer orders and when we issue a credit to their accounts;
- Development of Xfinity TV apps that enable our customers to directly access our content on TVs and other third-party devices throughout their home, without the need to lease a cable set-top box;
- Launch of our One Transfer tool, simplifying and improving the experience if the agent has to transfer the call to a specialist or to handle another customer need; and
- Outfitting of all technicians with iPhones to streamline in-home visits.

We've also conducted a 360 degree review of our billing policies to make sure that our practices put our customers first. For example, we've extended the time period during which customers can dispute a charge on their bill from 60 to 120 days, empowered our front-line agents to issue up to $100 in credits on-the-spot, and afforded customers who say that they returned equipment the benefit of the doubt without requiring a receipt.

While we believe that these and other steps we've taken to improve our customer experience are making a real difference, we also welcome the opportunity to work with the Subcommittee on other areas that it identifies as occasions for additional improvement.

Thank you for the opportunity to testify today. I am happy to answer any questions that you may have.

Time Warner Cable®

Opening Statement of John Keib,
former Executive Vice President and Chief Operating Officer, Residential Services,
Time Warner Cable Inc.
Hearing before the U.S. Senate Permanent Subcommittee on Investigations
"Customer Service and Billing Practices in the Cable and Satellite Television Industry"
June 23, 2016

Chairman Portman, Ranking Member McCaskill, other members of the Subcommittee, good morning. My name is John Keib, and I am here today to testify on behalf of legacy Time Warner Cable Inc. Thank you for the opportunity to participate in this hearing.

As you know, Time Warner Cable recently merged with Charter Communications and Bright House Networks to form a new company. My role at Time Warner Cable ended when the parties completed these transactions; I am no longer employed by Time Warner Cable or Charter. As such, I am testifying today as a former Time Warner Cable executive, but also as a private citizen.

My most recent position at Time Warner Cable was Executive Vice President and Chief Operating Officer for Residential Services. In this role, I led the service delivery, customer care, marketing, and sales operations for the company's residential services business. I am here today to discuss legacy Time Warner Cable's business prior to its merger with Charter. Hence, to the extent that questions arise relating to the future of Time Warner Cable or Charter, I will defer to Charter's witness, Kip Mayo.

Legacy Time Warner Cable serves approximately 15 million customers receiving video, Internet, or telephone services in 29 states ranging from Ohio to Maine to Nebraska. We employ thousands of customer service representatives and field technicians whom we train, first and foremost, to serve our customers.

Let me begin by acknowledging that we are well aware of some of the issues that will be discussed by the Subcommittee today. Those of you who live in Time Warner Cable areas have probably seen our most recent ad campaign in which we acknowledge – indeed highlight – prior service challenges before explaining the steps we are taking as a company to address those historical shortcomings.

That campaign is the culmination of efforts made, during my tenure at Time Warner Cable, to improve our customer service performance in order to provide the best possible experience to our customers. Time Warner Cable, like other MVPDs, has struggled with its customer service rankings in the past. Beginning in 2013, under an internal strategy we called "Winning on Service," Time Warner Cable embarked on an aggressive plan to improve its customer service and took several steps toward that goal. We invested heavily in our network and made several technology augmentations for broadband and video. We also initiated an ambitious plan to reshape our customer service performance by investing in our greatest asset, our employees. Our goal was to make service the differentiator and to become the best service provider not just within the telecom space, but in any industry. We believe that investing in service and delivering a best in class service experience is the most important factor in driving long term customer growth.

We also have worked hard to minimize billing errors. Three years ago, we implemented an automated, industry-leading process designed to detect and fix billing errors whether or not they are identified by customers. Each month, we search for and identify equipment-related overcharges and undercharges. And when we find an error, we fix it going forward and provide the customer with a credit for the remainder of the billing cycle from the time the fix has been recorded. We do not charge customers back for underbills, regardless of their size. It is important to keep in mind that we have 37 million pieces of equipment in service at any given time, and we are constantly upgrading that equipment with newer devices. Given the volumes of equipment we deal with, we are pretty proud of the fact that today, our equipment billing error rate for video subscribers is a very small .07% and for internet subscribers, .03%.

At the same time, for other types of overcharges where we can identify exactly when they first occurred, we credit customers back to the origin of the error. While such errors in billing for services are unusual, when they occur we generally have been able to provide retrospective refunds to affected customers without any need for the customers to request such refunds. In contrast to overcharges for equipment, which typically involve highly individualized factual circumstances that can be difficult to ascertain from our billing system, it is generally much easier to identify the cause and duration of a service overcharge.

Overcharges represent a very small part of our interactions with our customers. Overall, in an average year, Time Warner Cable fields more than 100 million calls from its customers. Some of these customers seek to purchase video, Internet, or telephone services for their homes; others ask questions about their bills or seek technical support. Still others want to change their service. Regardless of the reason for the call, our goal is to keep our customers, and we accomplish that goal by keeping them happy.

To do this, we train our customer service representatives to provide excellent care to our customers. Our customer service agents specialize in one or more core functions, including sales, retention, service and billing. Upon hiring, our representatives receive 11 weeks of hands-on training, as well as weekly ongoing training and coaching sessions with supervisors. These coaching sessions allow our representatives to learn from actual calls they handle. Our focus on customer service has made a difference, as more than four in five customers report that they are satisfied with their interaction with Time Warner Cable. And our surveys suggest that customers are becoming increasingly satisfied.

We also have made great strides in addressing customer issues more quickly and efficiently. We have done this by improving our phone service levels through enhanced training and better staffing, improving our product and service performance, and introducing appointment-based call backs, which allow customers to schedule call backs from Time Warner Cable at times that work for them. As a result of these efforts, our total call volume is down – over the past three years, the number of calls fielded by our customer service representatives decreased by 12 million , which is a testament to better and more efficient customer service. One measure of this improved customer service is known as "one touch resolution" – or the percentage of customer calls that are managed by a single agent. Recent internal reports show that we achieve one touch resolution in nearly 94% of the calls we handle.

In addition, Time Warner Cable began offering one-hour service and install windows and, in the first quarter of this year, our technicians were on time for approximately 99% of these appointments. We also significantly reduced the need to send Time Warner Cable technicians to our customers' homes to handle a repair. At the time of our merger, approximately 90% of repairs could be handled over the phone, up from approximately 82% in 2013. This improvement has resulted in a reduction of over one million service truck rolls in the last two years.

Are we there yet? No. Making such changes at a company our size is no small feat and the desired changes cannot all happen at once. Still, the evidence suggests that our efforts are paying off. In the latest American Customer Satisfaction Report, Time Warner Cable's Customer Satisfaction Ratings have increased by 8% year over year for both its television and Internet customers. We were recently ranked the 4th best Internet provider in this survey up significantly year over year. Although we did not have enough time to fully execute our plan, I am proud of the early results just as I am proud of all our technicians and customer service agents who are together pursuing a single mission of winning on service. Moreover, I am very confident that our employees and customers who have transitioned to Charter are in great hands. I am confident that Charter holds the same core tenets about prioritizing customer service and will continue to take the service experience to new levels.

I look forward to answering any questions you may have about Time Warner Cable.

Statement by Kathleen Mayo
Executive Vice President of Customer Operations
Charter Communications, Inc.

Hearing on Customer Service and Billing Practices in the Cable and Satellite Television Industry

Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

June 23, 2016

I. Introduction

My name is Kathleen Mayo and I have served as Charter's Executive Vice President of Customer Operations since September 2012. I joined the company after 15 years at Cablevision, where I was the Executive Vice President of Consumer Operations.

I was part of the new management team that came to Charter in 2012 and grew Charter from its bankruptcy into America's fastest growing TV, Internet and Voice company.

I appreciate the opportunity to testify today about the remarkable progress we've made at Charter since the company's 2009 bankruptcy, and more specifically, since our change of leadership in 2012. As Executive Vice President of Customer Operations, I am directly responsible for improving Charter's customer care, billing, sales and retention.

Since the beginning of 2012, we have invested significantly to improve the customer experience and create better products, including the following:

- We have invested approximately $7 billion dollars in our two-way high capacity network, including taking that network all-digital. This has allowed us to offer a minimum broadband speed of 60 Mbps; provide a superior video service, including more than 200 HD channels and thousands of On Demand titles; and make it easier for our customer service representatives to resolve issues remotely using the two-way digital set-top boxes provided to our customers.
- As part of our effort to improve the customer experience, we insourced thousands of American jobs that had previously been located overseas. These jobs are located in our call center and field technician operations, which were once filled by third-party contractors.

- As part of our transaction with Bright House and Time Warner Cable, we now operate call centers from 80 locations across our footprint, consisting of more than 22,000 employees who provide sales, repair, retention and billing support.
- And we expect to hire 20,000 Americans as we continue to insource our service operations and grow customer relationships.

The result of these changes has been a significant improvement in our customer care operation—ultimately resulting in a 12 percent increase in customer satisfaction across historical Charter markets since 2011.

As Charter's senior executive responsible for customer care and satisfaction, I lead initiatives that have resulted in creating thousands of American jobs, training employees to be responsive to the needs of our customers and constantly identifying ways to improve customer satisfaction.

I am proud of all that we have accomplished to date and I believe that the results are beginning to show. But anyone who knows me (or works for me) will confirm that I will never be satisfied with our customer call center operation, regardless of how good we get. We can and must always strive to do better.

II. Charter Background and Philosophy

In 2009, Charter filed for bankruptcy. The result of Charter's situation was an infrastructure in serious need of capital investment—the company had been unable to invest in its infrastructure to the extent we have lately, and its product suffered greatly.

The company's financial situation meant that Charter was unable to invest in repairs, which kept the product from performing as reliably, while at the same time, it tried to cut cost by outsourcing thousands of customer service jobs overseas.

After Charter completed its restructuring, Tom Rutledge was named CEO in 2012, and brought a new philosophy of growth and operation to Charter. Under this new leadership, we set out to institute a new playbook for success that included a core strategy of delivering superior broadband and video services at highly competitive prices combined with outstanding customer service. That goal includes growing the business by bringing more customers into the fold and keeping them by delivering value-priced products and ever improving service.

Under this new leadership, Charter's first priority was to recommit to and upgrade our entire product line, including voice and video, and to go all-digital as quickly as possible. When new leadership took over at Charter in 2012, its video offerings consisted primarily of analog channels, only 50 HD channels and our flagship data speed was 15 Mbps. Accordingly, we began an effort to upgrade all of Charter's networks to digital, thereby freeing up capacity to increase broadband speeds significantly and offer innovative video service. Today, all video products are digital and Charter's minimum broadband speed is 60 Mbps, and up to 10 gigabits per second for businesses, schools and libraries.

To achieve this upgrade, Charter had to walk every mile of infrastructure and identify every instance of deferred maintenance from the company's earlier bankruptcy and make those changes. We also came to realize the company needed to implement new and better customer service policies—including insourcing the customer service jobs that had previously been sent overseas—as well as tools and training to enable our employees to be more effective.

The move to all-digital required Charter to provide two way digital boxes to all of its customers. This upgrade ensured Charter's products operated effectively, provided Video On Demand to every customer TV set, and also enabled the company to improve its customer service by communicating and troubleshooting with boxes remotely.

We have made positive changes for our customers, but we recognize that it is going to be a long process to change perceptions around our company because of what took place before new management took over.

Tom Rutledge has said the best way for us to change perception is to change reality by offering a good product, where service is a key component of that product. That is the fundamental directive for how we operate at Charter. It bears out in our policies, and we believe over time it will bear out in customer satisfaction.

As the Executive responsible for customer care at Charter, I've been centrally involved in those efforts. Because we care deeply about ensuring our customers are satisfied with Charter, we employ a highly regarded third-party research firm, Leichtman Research Group, to track sentiment among our customers.

Today, more than 57 percent of Charter's customers tell us they are very satisfied with their service. 37 percent are neutral. So a total of 94 percent of customers are very satisfied or neutral. Only six percent of our customers tell us they are dissatisfied with the service they receive.

In fact, we believe the greatest sign of our customer satisfaction is to look at the new customer relationships we are creating. In these very competitive times, when online video is exploding and we have no early termination fees to prevent customers from leaving, we added more than 1 million customer relationships from the beginning of 2012 through the end of 2015, growing our total customer base by 18 percent.

We know we must continue pushing to ensure as many of our customers as possible are very satisfied with our service, but we are also proud of how far we've come in just four years and are confident in the path we are on.

III. Customer Service Commitment

A. Insourced Customer Care

As part of our transaction with Time Warner Cable, Charter expects to hire 20,000 American workers, many of whom will fill customer service jobs that are currently outsourced to call centers located in other countries.

That number is consistent with the 7,000 employees Charter has hired since 2012—a 40 percent increase—and the majority of those roles are customer-facing positions that were brought back from overseas. We are committed to locating our facilities in the communities we serve, most recently, opening a $16 million state-of-the art customer operations center in St. Ann, Missouri.

As we train and manage our own employees, we are creating a skilled labor force that is executing higher quality service transactions with our customers when we sell and provision, install, answer billing questions, or handle repairs. At Charter we focus on craftsmanship as a means to improving every aspect of our business.

Today, nearly 90 percent of our customer calls are handled onshore and in house, and 95 percent of our in-home service visits are performed by Charter employees, rather than third-party contractors.

By bringing those jobs in house, Charter is better able to manage and train the people who work directly with our customers. This ensures better quality control in these transactions, but more importantly, in how we train these employees to reflect Charter's philosophy toward our customers.

B. Emphasis on training

One way we see ourselves differently than some of our competitors is that we view our employees as problem-solvers, not product-pushers. Our customer service representatives don't have set scripts with canned language. They see each customer as an individual with a unique problem to fix, and we think this comes through during customer experiences.

Some of our competitors who outsource these positions to a third party contractor lose this kind of quality assurance or control over how their service representatives interact with customers. We're also proud that this philosophy ensures we're contributing to a larger, well-trained American workforce, because it reflects our values as a company.

In addition to the work we've done to strengthen our in-house workforce, we have also seen that our efforts to streamline our billing, enhance self-service and increase communication with our customers, as well as the approximately $7 billion in investments in our networks and products, have led to significant decreases in monthly billing, service calls and trouble calls since 2012.

C. Streamlined billing

To decrease customer confusion, we also streamlined our packaging and pricing. Our National Packaging and Pricing plan simplified our product offerings and ensures all of our customers, regardless of where they live, have access to the same superior products at competitive prices. This pricing and packaging provides great value and has made it easier for us to communicate with customers about the services they signed up for.

We are always working to elevate the customer experience. We don't charge for modems or customer equipment for voice service. To eliminate accidental overcharges for equipment, Charter instituted checks and balances that create controls in our order entry system to ensure we get each order right. To ensure the integrity of that system, we also built back-end processes that allow us to identify and correct any discrepancies on a nightly basis, meaning we reconcile every piece of equipment with every single charge in our system every 24 hours.

Our audit into over-charges over the past 9 months determined the existing systems were more than 99 percent accurate. Out of 11 million boxes, we've found approximately 63,000 boxes, less than 1 percent, where customers were overbilled. We were pleased that our accuracy rate was as high as it was, but I will never be satisfied until we have zero instances of over-billing.

For the affected customers we identified over the course of this review, we will explain in their next bill that they were overcharged and will be issued a 12-month credit for those equipment fees. During the course of this process, we also discovered approximately 9,000 boxes for which customers were not billed, though they should have been. We will correct and explain the discrepancy moving forward but will not seek to collect those fees that should have been charged.

To permanently eliminate these billing discrepancies moving forward, we have instituted controls to catch any box/customer mismatch on a daily basis. Today, those charges are reconciled no more than 24 hours after they occur and enable us to ensure this issue does not occur again.

In May of 2016, Charter completed its acquisition of Time Warner Cable. At just a little more than 30 days post closing, Charter has been advised that TWC currently catches and corrects any overcharges on a monthly basis. We will put controls into place to catch such instances daily, as we now have installed at Charter, but that will take approximately 60-90 days. Until then, we will proactively issue a 1-month credit to any customer that the current monthly process reveals was overcharged.

D. Improved customer satisfaction

Since 2013, as we've instituted all these practices, total care calls per customer has declined 25 percent from 2013 to 2015. Trouble calls per customer has declined 20 percent during that same period. Further, when our customers do need assistance, we've been able to resolve their issue on the first call 80 percent of the time.

Those higher quality customer interactions are reducing service transactions, reducing churn, and creating longer customer relationships, supporting greater customer growth and reducing our operating costs. Importantly, since 2011, Charter has seen a 12 percent increase in overall satisfaction.

IV. Consumer Practices

At Charter, we're proud to be a different kind of cable company. We've not only made our products better and faster, we've also made them a better value. Rather than trying to squeeze as much profit from our customers as we can, we remain focused on growing our business by increasing the number of customers we serve and extending the lifetime of our customer relationships.

An important part of that is changing how we actually bill our customers. To improve the customer experience and focus instead on our products, we don't charge common industry fees like additional modem fees, sports surcharges, separate USF fees, or early termination charges.

Over the past four years, we have focused on simplifying our products, pricing and services to make them accessible to all consumers so we can reach them wherever they access content at very competitive prices.

In fact, Charter's new low-cost broadband offering will deliver the highest speeds of any comparable offering to low-income families as well as be the first to offer fast broadband to low-income seniors. Charter's offering is the only low-cost Internet service for low-income populations that meets—and even exceeds—the FCC's definition of high-speed broadband. Charter will set a new industry standard for high-speed low-cost broadband service by offering 30/4 Mbps for $14.99 to eligible low-income families and seniors.

To ensure our customers receive a product that meets their expectations in terms of value, we have invested billions of dollars to ensure our customers have access to the most innovative products available today. 60 Mbps is the slowest broadband tier we sell, except in St. Louis, where it's even higher, at 100 Mbps.

Our team has built a first-of-its-kind cloud-based video guide, which enables intuitive search and discovery across TV, online video and apps designed to work on new and old cable boxes. We've also developed a TV app which allows customers to watch over 170 channels on their tablet or smartphone in the home, program their DVR, and even stream or download shows and movies to watch their favorite content whenever and wherever they want.

Finally, as the competitive landscape has been changing, we believe it's been important to change with it. We see customers increasingly utilizing Internet Video. Unlike many of our competitors, we don't have data caps or usage based billing because we want our customers to be able to view as much content they want to stream or download without worry about charges on the fastest network. Our commitment to an open internet has earned the support of many internet players, most notably Netflix.

V. Conclusion - Road ahead for Charter post-transaction

Charter has already invested approximately $7 billion in the latest technology and infrastructure, created thousands of American jobs, fostered a culture of innovation, and committed to an open Internet. As we move forward with the combination of our company with Time Warner Cable and Bright House, we are excited about the prospect of rolling these customer-friendly policies out to our entire customer base within the new footprint.

We recognize that for many years, the cable industry has struggled to show our customers that we are interested in their satisfaction, but since 2012, Charter has been working every day to deliver to our customers the best possible products at a competitive price.

Simply put, we aren't satisfied unless our customers are. We are proud of the progress we have made, but our work...MY WORK is not done. We will continue to work to improve and show our customers, across the entire Charter footprint, that we are committed to providing the best possible experience.

STATEMENT OF RASESH PATEL

SENIOR VICE PRESIDENT, PRODUCT MANAGEMENT

AT&T ENTERTAINMENT GROUP

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS OF THE

SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS

HEARING ON

CUSTOMER SERVICE AND BILLING PRACTICES

IN THE CABLE AND SATELLITE INDUSTRY

JUNE 23, 2016

Good morning, Chairman Portman, Ranking Member McCaskill, and Members of the Subcommittee. My name is Rasesh Patel and I appreciate this opportunity to speak with you, on behalf of AT&T and DIRECTV, about our commitment to customer service. The hallmark of our brand has been to offer customers the very best entertainment experience through our cutting-edge technology, unique content offerings, and superior customer service. And, our commitment to serving customers and giving them more value and choices has never been stronger. According to data from the American Customer Satisfaction Index (ACSI), DIRECTV has ranked higher in customer satisfaction than the top 10 cable TV companies for 16 years in a row. In a highly competitive market with ever-rising programming costs, we believe customer service is an essential component of our success, and we have accordingly devoted and continue to devote significant resources towards our goal of delivering a superior customer experience.

I've been with AT&T and DIRECTV for 15 years in a number of different roles. Currently I am Senior Vice President of Product Management for the AT&T Entertainment Group, which is the group that provides consumers with our video, mobility and Internet offerings. I have responsibility for product strategy, product roadmap and product development for AT&T/DIRECTV entertainment products. From 2012 until AT&T's 2015 acquisition of DIRECTV, I was Senior Vice President of Customer Experience.

In that role, I led DIRECTV's proactive, enterprise-wide and customer-centric effort to prioritize and improve the customer experience across all customer touch points. The initiative began with a comprehensive evaluation of our policies and practices, detailed research, and an analysis of operational data to prioritize our efforts. This was a top priority for the company, CEO, and senior leadership. DIRECTV invested hundreds of millions of dollars in that customer initiative, which generated real improvements for our customers, including:

- a redesigned billing statement, created with customer input and based on customer needs,
- simpler offers at the point of sale,
- a simplified onboarding process for new customers, and
- the creation of a customer-friendly equipment upgrade program.

The initiative also produced real results in terms of DIRECTV's relationship with customers, including: improved customer satisfaction; fewer phone calls to our call centers each year; improved troubleshooting and service reliability; and increased engagement by our frontline employees who service our customers. That experience proves something AT&T/DIRECTV strongly believes in: good customer service is good business.

Today, AT&T and DIRECTV's customer satisfaction ratings remain at or near the top of the industry. As noted above, for the 16th year in a row, DIRECTV rated higher in customer satisfaction than cable, according to the 2016 American Customer Satisfaction Index (ACSI) survey. JD Power's 2015 Television Provider Satisfaction Survey ranked DIRECTV's overall customer satisfaction as "significantly higher" than average in all U.S. regions, ranking higher than all cable providers, whose customer satisfaction consistently ranked "significantly lower" than average.

While we take pride in these rankings, we know that customer satisfaction is a never-ending journey. And we are excited about what the future will bring. Since the 2015 merger, AT&T's and DIRECTV's focus on customer service has only intensified; it is central to our strategy. This goal is reflected in at least three major initiatives we have launched since the merger, including the following:

- We plan to spend more than $1 billion to enhance the customer experience from 2016 to 2017 by simplifying our systems, streamlining frontline tools, and delivering customer-friendly digital capabilities;
- We devote significant resources to measuring customer satisfaction and identifying what matters most to our customers.
- We aim to deliver on what we call the "Power of One":

  - *One service* that customers use across all their screens;
  - *One website* for customers to manage their accounts and services;
  - *One installation* (for both satellite TV and broadband service), saving customers the time and inconvenience of multiple installations;
  - *One service agent* to handle a customer's billing and account questions on multiple AT&T/DIRECTV products, saving customers the trouble of dealing with multiple agents; and
  - *One bill* for customers with multiple AT&T/DIRECTV products.

AT&T/DIRECTV is also offering a number of new and innovative products, reflecting this commitment to its customers to deliver a seamless, integrated entertainment experience, including:

- *Nationwide Offerings.* Within days of the merger being finalized, AT&T/DIRECTV announced a combined nationwide offering of TV and wireless.
- *Unlimited Mobile Data Plan.* AT&T is offering an unlimited mobile data option for its Mobility and DIRECTV customers.
- *Pricing.* This past Spring AT&T began rolling out simplified TV, broadband and wireless bundled pricing.
- *New OTT Offerings*: AT&T/DIRECTV also recently announced plans to launch video programming options delivered over the Internet in the fourth quarter of 2016. These new video subscription models reflect the flexible content choices, viewing options, simple pricing and a simplified experience that consumers want. These offers will

provide a broad range of choices for our customers with freedom to watch regardless of how and where they enjoy their entertainment.

Let me also address five specific customer service issues that that you have indicated are of particular interest to the Subcommittee. In each of these areas, AT&T and DIRECTV are continuing to enhance the customer experience:

First, Customer Satisfaction. As I hope my prior remarks indicate, customer satisfaction has been an area of intense focus for both AT&T and DIRECTV. In 2012, DIRECTV launched its proactive, multiyear customer experience initiative, which required substantial resources, both in terms of dedicated personnel and financial investment. With the merger of AT&T and DIRECTV, the focus on providing subscribers with the best possible customer experience has intensified, as I described above. As a combined entity, we continue to listen to our customers about what they expect from their service provider. By combining our complementary services, we are providing customers a higher quality experience. They will have a single point of contact for placing orders, answering questions and solving problems. We believe that the positive changes we are making as a result of the merger will drive customer satisfaction even higher.

Second, Retention Practices. Keeping our customers happy is good business. DIRECTV's goal has long been to retain customers and build their loyalty, in a highly competitive industry, by identifying and solving their issues with solutions tailored to meet their individual needs. The training for our retention representatives is extensive and focused on the importance of identifying and resolving the "root cause" of the customer's problem. We are proud that we are able to resolve the issues raised by more than 70% of the customers who call intending to disconnect service. Our representatives are trained to respect all customers and to exercise the flexibility needed to identify the service or offer best suited to each customer's unique needs. We place specific emphasis on "getting it right the first time."

Third, Prices and Fees. DIRECTV is committed to providing our customers with simple and easy to understand communications with respect to services and fees. In 2014, as part of the Customer Experience initiative, DIRECTV introduced a new simplified bill that identifies current fees and charges, changes from the previous month, and the number of months remaining on any promotional discounted rates. This change was a proactive, multi-year, multi-million dollar effort that involved significant resources across DIRECTV. We also work hard to ensure that prices and fees are fully disclosed at multiple points: in our advertisements, in phone conversations with our agents; on our website; in the confirmation notice that is sent to every new subscriber; in the Customer Agreement and the Equipment Lease agreement that the customer signs; and, as noted, in the customer's bill.

Our prices reflect a highly competitive and dynamic environment. Our customers have many choices on how they obtain their video content, not only from the companies appearing at this hearing, but from a multitude of others. Programmers can make their video content available directly to customers, or can provide content through services like Netflix, Hulu or Amazon. Social media and other emerging sites generate short-form and independent programing. These competitive trends are sure to continue. And, if we do not meet our customers' expectations, they will vote with their wallet.

It is also no secret that the pay TV industry is under intense pressures from rising programming costs. According to some analysts, programming costs are increasing at about 8 to 10 percent annually over the past four years, while pay TV bills are increasing by an average of 3 to 4 percent.[1]

Fourth, Customer Complaints. AT&T/DIRECTV appreciates the importance of both effectively resolving customer complaints, and eliminating their causes. We have considerable resources focused on addressing, tracking, and analyzing customer complaints at various levels, including those handled by our customer service agents, supervisors, or our escalation teams. Robust processes enable us to assess customer complaints, identify and prioritize the most important issues raised by our customers, and work with management to eliminate root causes.

Fifth, Credit and Refund Policies. DIRECTV maintains a team dedicated to identifying and addressing billing errors. When analysts identify that customers have been incorrectly overcharged, DIRECTV works to proactively reimburse affected customers in full and notifies

[1] http://www.multichannel.com/news/distribution/cable-rates-rise-3-4-average-2016/396619

those customers through their bill or by letter. This team has also used FEMA data to identify customers living in areas affected by disasters and, in those areas, has proactively suspended non-payment cutoff timelines and late fees.

In closing, let me reiterate that the combined AT&T/DIRECTV fully understands and appreciates the importance of ensuring that customers receive the best possible customer service. We have spent substantial time and resources in the past to improve all aspects of the services we provide our customers, and we are committed to continuing to do so in the future. We are confident that the combined AT&T/DIRECTV will only further enhance our ability to provide our customers with the very best in the products and services they desire. Delivering an effortless customer experience is at the center of everything we do.

Thank you for the opportunity to appear here this morning, and I look forward to your questions.

Testimony of

Kathleen Schneider
Senior Vice President of Operations
DISH Network L.L.C.

on

"Customer Service and Billing Practices in the Cable and Satellite Television Industry"

before the

United States Senate Permanent Subcommittee on Investigations

June 23, 2016

I. Introduction

My name is Kathy Schneider, and I am the Senior Vice President of Operations for DISH Network L.L.C. (DISH). I work out of the company's headquarters in Englewood, Colorado. On behalf of DISH, I would like to thank Chairman Portman, Ranking Member McCaskill, and members of the Subcommittee for the invitation to discuss DISH's award-winning satellite television service.

In the 1980s, DISH's three founders decided that customers should have an affordable alternative to cable. DISH started with two large C-band satellite dishes delivered by the founders themselves in a pickup truck. One day, while hauling one of those two dishes to a customer in rural Colorado, a strong wind blew the dish off its trailer and into a roadside ditch. There went half of the company. Summed up as a bad day in the infancy of DISH, our founders overcame this setback to build what is now a Fortune 200 company that employs thousands and serves millions throughout the nation – a seemingly unlikely future on that particularly eventful day.

Since launching its Direct Broadcast Satellite ("DBS") service in early 1996, DISH has worked to reinvent television distribution and provide meaningful competition within the pay-TV industry. We have introduced some of the market's best, most innovative products while leading the industry in providing customers the best value. Fundamentally, our success depends on satisfied customers, and we have spent the last two decades working tirelessly to make the customer experience better.

Today, DISH is the nation's fourth largest pay-TV provider with nearly 14 million subscribers and 18,000 employees. Throughout the U.S., we have twelve call centers, two large service locations and dozens of other staffed facilities. We have thousands of staff dedicated to serving our customers. We also have relationships with over 6,000 independent retailers (providing storefront options for our customers), including 146 retailers in Ohio and 167 retailers in Missouri. We are proud that DISH is the *only* provider of local broadcast television service in all 210 U.S. TV markets, ensuring that even the most rural customers receive the same high-quality television service as customers in urban areas.

Without a doubt, DISH's success relies on our commitment to customer service. We work hard every hour of the day, every day of the year to provide a great entertainment experience and make our customers happy. Happy customers are created by combining the best technology available with transparent billing, ease of installation, and efficient, effective service. Our customer service scores continue to top our competitors because of our commitment to these goals.

We are also committed to continued improvement. We constantly ask ourselves: what can we do better? We keep innovating and coming up with the best technology on the market to meet customer demands of TV anywhere, anytime.[1] We diligently track issues that impact our customers' experience. We address these customer "pain points" by adjusting our policies, procedures and training materials and retooling our subscriber offerings. We also hire top talent

[1] Third parties have consistently recognized DISH for its industry-leading technology. This year, DISH was awarded Best of the Consumer Electronics Show ("CES"), the annual conference put on by the Consumer Technology Association (formerly known as the Consumer Electronics Association). DISH also received CES Editors' Choice for its Hopper 3, the third generation of DISH's Hopper digital video recorder ("DVR"). The Hopper is the only set-top-box on the market that, among other things, uses advanced built-in technology so customers can view *all* of their live programming and DVR content from anywhere over the Internet. In 2015, DISH launched *Sling TV*, becoming the first to market with a live TV Internet streaming product (an over-the-top "OTT" service). For just $20 per month, consumers can watch the best of live TV, including ESPN, as well as other core video programming like CNN, AMC, HGTV and TNT. There is no installation appointment for customer to deal with, and customers can cancel the service at any time without penalty.

to ensure that our agents represent DISH's values and have the tools necessary to match each customer with the best programming, technology and value for his or her needs.

As the person responsible for overseeing customer service for DISH, I live and breathe these complex issues each day while managing DISH's call centers and business process improvement operations. I am proud of all that my fellow DISH employees have done over the years to make our customer service best in class, but we are not content to rest on our accomplishments. We are not perfect and make mistakes; but we do our best to fix and learn from those mistakes. And despite our best efforts to train all of our customer service agents, there are times when an agent fails to provide a good customer experience. In those cases, we address that particular employee and train others to not make the same error. How we provide customer service is an ever-evolving process, and we welcome feedback from the Subcommittee on ways that the overall service experience can be made better for our subscribers.

II. DISH Strives to Make Its Customers Happy and Keep Them Happy

A. Without Happy Customers, DISH Loses Money

DISH spends around $800 dollars to acquire a single subscriber. If a subscriber leaves within a span of four years, DISH loses money. To recoup our up-front subscriber acquisition costs, we endeavor to keep our customers from "churning," an industry term that describes when a customer leaves a pay-TV service. The key to preventing churn is offering a better product with better service than our competitors, and the competition is tough. There is at least one other cable, telco, or satellite TV provider everywhere DISH offers service. And most of the time, DISH actually faces two or three competitors, one or more of which is a cable or telco company that can offer the compelling trifecta of TV, Internet, and phone service—the "triple-play" package. As a satellite television provider that does not widely or directly offer wired broadband or phone products, DISH principally competes not on the mix of services we can provide, but on the quality and pricing of our pay-TV packages. As a result, DISH has built its business on offering the most innovative pay-TV experience with industry-leading customer service, at an affordable price.

B. DISH Meets and Exceeds Our Customers' Expectations Through Continuous Monitoring and Improvement

What makes a happy customer? In my experience, customers are happy when they:

- Understand and see the value of the products and services they are getting;
- Understand their bill;
- Receive timely and seamless installation of reliable products; and
- Receive responsive and speedy repairs and service upgrades.

Our sales, installation, customer service, billing, product development and programming teams are constantly working together to make sure that DISH satisfies all of these expectations. We do this by focusing on those points in the customer life cycle that are most likely to disrupt, disappoint or confuse a customer. These "events" are: 1) account initiation; 2) installation; 3) price changes; 4) service calls and repairs; and 5) changes to programming, including broadcaster-imposed blackouts of key content.

DISH has created two extensive interfaces that walk our agents through customer service issues, step-by-step. One interface handles technology issues, and the other interface handles just about everything else. We also operate a "community portal" from which agents can access the latest training materials and customer service tips, including analysis of recent customer pain points and how to address them. These tools attempt to cover every issue a customer could think of to bring up with an agent, and they empower our agents to clearly and concisely give customers a resolution to the problem at hand. When a call comes in, DISH's customer service policy is to "resolve, prevent, promote"—in that order. This motto of our customer service is displayed prominently all over our call centers. Our agents' first priority is find a solution to the customer's issue, whatever it might be. Again, only by keeping customers happy can we keep customers with us and ultimately succeed as a business.

We also work hard to prevent issues *before* they happen. At the time of sale, we focus on trying to ensure that the customer understands the products and services they are receiving and all of the associated costs. After installation, to make pricing and billing easy to understand and readily accessible, our bills are clear and concise, and customers can access their account information via phone, text, paper bills, and the DISH website. We pride ourselves on transparency. While network and sports programming content both account for a disproportionately large share of our costs, we do not itemize "local channels" or "retransmission" fees on our bills, and no "regional sport network" ("RSN") fees appear.

C. DISH's Commitment to Customer Service Is Well-Recognized

DISH's internal metrics show that calls to us are promptly answered and our agents consistently resolve our customers' issues quickly and efficiently. For example, in May 2016, approximately 89 percent of customers calling DISH got an agent on the line within 60 seconds of the call coming through, and the vast majority of these customers had their needs met on that initial call. By handling customer issues on the first call and minimizing callbacks, DISH serves both its customers and its shareholders, since fewer calls mean fewer resources and expenses devoted to fielding them.

DISH out-performs its competitors in customer service, and in doing so, we provide a high-quality pay-TV alternative to consumers nationwide. Highly regarded third-party customer service survey firms have recognized DISH's achievements. DISH has an A+ rating from the

Better Business Bureau and, for four years running, we've won a J.D. Power award for customer satisfaction. DISH also is ranked number one in several categories by the American Customer Satisfaction Index: Highest Call Center Satisfaction; Highest Website Satisfaction; Clearest Bill to Understand; and Lowest Customers Complaint Rate.

Comparison of Customer Service Practices of Largest Pay-TV Providers[1]

	DISH	Comcast	TWC	Charter	DirecTV
Call center satisfaction ranking 2010-2015	#1	#8	#7	#6	#2
Clearest bill to understand ranking 2010-2015	#1	#7	#8	#3	#2
Website satisfaction ranking 2010-2015	#1	#7	#8	#6	#2
Lowest customer complaint rate ranking 2010-2015	#1	#8	#6	#7	#3

[1]Based on the average American Customer Satisfaction Index comparison of major TV providers (2010-2015)

Comparison of Basic Packages Among Largest Pay-TV Providers[1]

	DISH	Comcast[2]	TWC[3]	Charter[4]	DirecTV[5]
Package name	AT120+	Digital Starter	Standard	Select	Choice
Channel count	190+	140+	70+	125+	175+
Advertised price/month	$49.99	$44.99	$49.99	$59.99	$60.00
Additional fee for local channels[6]	$0	$3.75	$3.75	$6.05	$0.00
Additional fee for regional sports[6]	$0	$3.00	$5.00	$0.00	$6.39
Additional fee for HD programming	$0	$10.00	$0.00	$0.00	$0.00
Contract period	2 Years	1 year	No contract	No contract	2 years
Price protection	2 Years	1 Year	1 Year	1 Year	1 year
Package price increase at end of first year	$0	$26.00	$24.00	$0	$51.00
Free standard professional installation	Yes	No	No	No	Yes
Record up to 16 shows at once	Yes	No	No	No	No
Haurs of HD recording storage	500	60	150	75	200
Watch 100% of your live TV channels anywhere	Yes	No	No	No	No
Watch 100% of your DVR recordings anywhere	Yes	Yes	No	No	No
Opt-in to record primetime content from ABC, CBS, NBC & FOX and skip commercials while watching those recordings	Yes	No	No	No	No
Built-in Netflix app	Yes	No	No	No	No
Wireless receivers	Yes	No	No	No	Yes
Bluetooth audio	Yes	No	No	No	Yes
Remote locator	Yes	No	No	No	No
Available nationwide	Yes	No	No	No	Yes

[1]All information based on stand-alone video service, not bundled products
[2]Data found on 6/20/16 for Comcast Denver
[3]Data found on 6/20/16 for TWC New York City
[4]Data found on 6/20/16 for Charter New Orleans
[5]Data found on 6/20/16 for DirecTV national offer
[6]Maximum fee, amount varies by geographic location

III. Programming Costs and Other External Forces Substantially Affect the Experience of DISH Customers

One of the main areas of inquiry by the Subcommittee has involved customer "pain points." In overseeing all of customer service for DISH and having listened to thousands of customer calls, I can say this: the issues that have most consistently come up over the last several years involve the price of programming, and the lack of options that customers have in selecting which channels they receive. No matter how many call center representatives we have or how much training we provide those representatives, DISH cannot address this core complaint on its own.

This is because the number one source of rising pay-TV rates is the dramatically increasing cost of acquiring programming content. DISH, like every other pay-TV provider, must ultimately ask its customers to shoulder at least some of the costs that have resulted from the sky-rocketing price demands from our programming partners.

Even so, DISH still leads its competitors in providing high-quality programming for the lowest everyday prices. DISH offers various introductory pricing packages, which allow customers to receive discounted service, free premiums, or other benefits for a period of time after joining DISH. Even though this is an effective tool to attract customers, and DISH is best-in-class in providing notifications on the termination of a discount period, customers often have questions or concerns when the promotion ends. For this reason, we now offer a two-year-price-lock option that gives customers a prolonged discount in exchange for their commitment to DISH. Yet, despite our efforts to curb the overall costs of our service, there are two key practices abused by programmers that keep driving price increases: (i) demands for exorbitant retransmission consent fees and (ii) an insistence on channel bundling.

A. Rising Retransmission Consent Fees

Regarding the first tactic, DISH must negotiate with local broadcast stations to retransmit their signals to consumers, even though these same consumers are supposed to be able to receive the broadcast signal for free over-the-air. The fee for this right is called the "retransmission consent" fee. When the retransmission consent system was first implemented by Congress as part of the 1992 Cable Act, satellite TV was not yet a competitive choice for consumers, and cable operators had monopolies on pay-TV programming. It was mutually assured destruction for a broadcaster and a cable provider not to reach an agreement on carriage rights. The cable company needed the programmer's content to have a compelling service to offer consumers; the broadcaster needed the cable company, as the one distributor in town, to reach the largest audience possible.

In the years since the 1992 Cable Act, the laws governing retransmission consent remain largely unchanged, but the market itself is decidedly different. There are now two satellite companies offering service in every domestic TV market and competing with the incumbent cable providers. In many of the country's largest markets, there are also traditional telephone companies, like Verizon, AT&T, and CenturyLink, that offer competition to both satellite and cable providers. Additionally, emerging internet streaming services ("over-the-top" services like Netflix, Amazon Prime, Hulu, etc.) are becoming more and more popular. In contrast, the local broadcast stations still enjoy a government-sanctioned monopoly within each Designated Market Area ("DMA"). For example, there is only one ABC in Denver; one NBC in Cleveland; and one CBS in St. Louis.

Broadcasters have taken advantage of these changes in the video services marketplace to play video distribution companies against one another and demand exorbitant increases in retransmission consent fees. We are often seeing fee demands increasing by several hundred percent every 3-year retransmission consent cycle. Between 2005 and 2015, retransmission consent fees climbed an astounding *22,400 percent*. If the price of other consumer goods rose that fast, consumers would be priced out of almost everything—a dozen eggs would be nearly $350, a large coffee would be over $400, and a gallon of milk would be over $700. SNL Kagan, one of the most respected firms providing analysis of the TV industry, estimates that retransmission consent fees will reach $10.3 billion by 2021, up from just over $1 billion in 2010.[2] And all of these fees are for TV that is supposed to be "free" to consumers over-the-air.

The broadcasters' disproportionate leverage is proven by the rising number of programming "blackouts" in which programmers take down their signal on the cable or satellite provider's network. In 2010, there were only 12 such blackouts. Just five years later, in 2015, there were more than 180 of these blackouts. This translated into 12 million households—1 in 8 pay TV subscribers—that were affected by a TV blackout in 2015. These statistics do not even include all of the near-misses, which are almost equally disruptive to our business since, as a contract expiration approaches, the networks increasingly engage in the practice of "crawling" misleading notices at the bottom of their channel feeds. These "crawl messages" intimate that the distributor (not the broadcaster) is about to discontinue carriage and customers are encouraged to call the distributor (not the broadcaster) to complain.

Blackouts inflict real injury on distributors, while barely leaving a mark on the broadcasters. Of course, broadcasters know this. Calls to DISH service centers can double or

[2] *See* Joe Flint, *Retransmission Consent Fees to Hit $3.6 Billion in 2017,* LA Times (May 25, 2011), http://latimesblogs.latimes.com/entertainmentnewsbuzz/2011/05/retransmission-consent-fees-to-hit-36-billion-in-2017.html.

even triple leading up to and during a blackout, causing major disruption to our call centers and regular customer service operations. And all of this happens because of a broadcaster-driven "call to action" that is entirely based upon a false premise: DISH does not "take down" programming. Rather, it is the broadcaster that withholds its consent for carriage, despite the fact that DISH and other distributors offer to compensate the programmer for interim carriage at whatever rates are ultimately agreed upon.

In short, broadcasters are 100% responsible for blackouts, and they unfortunately use consumers as pawns in their negotiations with pay-TV companies. Worsening the harm to consumers, broadcasters often time their expiration of retransmission consent agreements to coincide with marquee programming events, such as the Super Bowl, NBA Finals, Oscars, etc. At those times, of course, programmers have the most leverage to threaten consumer disruption. If the broadcaster does not consent to carriage, DISH cannot legally provide that programming to its customers.

Ultimately, the real victims in these one-sided retransmission consent contests are the consumers who have had their programming pulled by the broadcasters. Even when deals are reached, retransmission consent fees are often several times what they were in the prior cycle. This drives up the cost of providing TV service and, therefore, drives up customers' bills.

B. Channel Bundling

Bundling demands by programmers are also causing higher prices for consumers. "Bundling" in this context means programmers requiring a pay-TV provider to purchase, and sell, groups of channels together, often including marquee programming together with less-popular or niche channels. This is done whether or not a consumer actually wants everything in that bundle. So, DISH has a choice: decline purchasing the bundles and fail to offer the programming that most customers desire, or purchase unwanted cable channels from a programmer in order to access that programmer's major network content and/or other highly-rated channels. DISH often must choose the latter to offer a competitive programming lineup to our customers, and it costs us. In conjunction with programmers' common corollary demand that their programming be carried on DISH's most popular programming package, bundling causes consumers to pay for programming that they simply do not want. Sports programming, in particular, drives costs in this way. While sports are "must have" programming for some customers, other customers neither watch sports nor want to pay for them.

The practices detailed above collectively prevent DISH from creating the type of tailored packages that best meet our customers' needs and budgets and, in general, cause an enormous amount of customer pain. We have called on Congress and the FCC to update the broken retransmission consent system to, among other things, stop blackouts, and address the anti-consumer effect of forced bundling. These reforms would go a long way in moderating prices for consumers and perhaps even lowering them.

V. Conclusion

DISH relentlessly pursues the best customer service practices possible to stay competitive in today's pay-TV market. Customer satisfaction directly drives the success of our business, and we are always working to improve our systems and processes to provide a better overall experience to our customers. On behalf of DISH's 18,000 employees and millions of subscribers across the nation, I thank the Subcommittee for this opportunity to discuss DISH's customer service program and the actions we take daily to deliver the best value to our subscribers.

United States Senate

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Committee on Homeland Security and Governmental Affairs

Rob Portman, Chairman
Claire McCaskill, Ranking Member

SOME CABLE AND SATELLITE COMPANIES DO NOT REFUND CUSTOMER OVERCHARGES

STAFF REPORT

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SOME CABLE AND SATELLITE COMPANIES DO NOT REFUND CUSTOMER OVERCHARGES

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EXECUTIVE SUMMARY

As part of its investigation of cable and satellite television companies, the Subcommittee reviewed how five companies—Charter Communications, Comcast, Time Warner Cable,[1] DirecTV, and Dish (also known as "multichannel video programming distributors" or "MVPDs")—identify and correct overcharges caused by company billing errors.[2]

Each MVPD has millions of subscribers and generates millions of bills annually. Each bill, in turn, contains a number of line items (*e.g.*, a base television package, an HBO subscription, a leasing fee for a set-top box), resulting in hundreds of millions of line items a year.[3] Predictably, customer billing records do not always match customer equipment and service records, meaning that some customers are billed for items they have not ordered while others erroneously escape being charged for services or equipment they use.

The Subcommittee reviewed how the MVPDs investigate and remedy these billing errors, with particular focus on their efforts to make overcharged customers whole. We found that the MVPDs vary greatly with respect to how they handle billing overcharges.

First, throughout the time period examined by the Subcommittee, Time Warner Cable and Charter made no effort to trace equipment overcharges to their origin unless customers specifically asked them to and did not provide notice or refunds to customers.

Second, other MVPDs have invested effort and resources to prevent overcharges and provide refunds or credits to customers who have overpaid. Comcast and DirecTV provide automatic refunds or credits to overcharged customers, while Dish's billing system is designed to prevent these types of overcharges from occurring in the first place.

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[1] During the course of the investigation, Charter acquired Time Warner Cable. Because it will take years to integrate Time Warner Cable's billing practices into Charter's, we treat them as separate entities for purposes of this report.

[2] In this report, we use the term "billing error" to refer to billing errors caused by flaws in MVPDs' billing systems. Similarly, the term "overcharges" refers to an overcharge caused by this type of error. These do not constitute the only type of billing error or overcharge a customer may encounter.

[3] *See* Interview with Ernie Pighini, Comcast Senior Vice President and Controller (June 9, 2016) (hereinafter "June 9 Pighini Interview") (noting that Comcast has approximately 287 million discrete "billing events" each year); *see* Letter from Michael Bopp, Counsel to Time Warner Cable, to Senators Rob Portman and Claire McCaskill, at 2 (June 10, 2016) ("Any company that issues millions of bills each month (with multiple service elements on each) inevitably will encounter some errors....").

Third, based on data provided by Time Warner Cable and Charter, the Subcommittee estimated how much Time Warner Cable and Charter have overbilled customers nationwide.

- Between January and April 2016, Time Warner Cable overbilled customers nationwide an estimated $639,948. The Subcommittee projects that, in 2016, Time Warner Cable will overbill customers nationwide a total of $1,919,844.
- Charter has not yet completed the underlying work necessary to determine how much it has overbilled customers. But it has informed the Subcommittee that it overbilled customers by at least $442,691 per month.

Fourth, the Subcommittee sought information about the number of customers overcharged in Ohio and Missouri. Time Warner Cable estimates that, in 2015, it overbilled 40,193 Ohio customers a total of $430,393 and 4,232 Missouri customers a total of $44,152. Time Warner Cable also told the Subcommittee that, during the first five months of 2016, it overbilled customers in Ohio for 11,049 pieces of equipment, totaling $108,221. Charter estimates that it has annually overcharged approximately 5,897 Missouri customers a total of $494,000 each year. Charter does not provide service in Ohio.

Fifth, as a result of this investigation, both Time Warner Cable and Charter have taken steps to address these issues. Each month, Time Warner Cable performs an audit comparing its billing records with service records. Going forward, the company will provide an automatic one-month credit to anyone who is identified in the audit as having been overcharged. Time Warner Cable will not, however, investigate when it began overcharging customers unless customers bring specific concerns to the company's attention, nor will it provide a full refund dating back to when the overcharge began. Similarly, Charter will provide customers with a one-year credit for any equipment overcharges. Charter has also implemented systemic controls that it says will prevent equipment overcharges in the future.

DISCUSSION

During the six and a half year time period covered by the Subcommittee's investigation, Time Warner Cable and Charter did not automatically refund or credit customers for equipment overcharges they discovered.[4] By contrast, Comcast and DirecTV provided full refunds to overcharged customers, and Dish's sophisticated billing system is designed to prevent these types of issues from occurring in the first instance.

[4] All five MVPDs have uniform policies with respect to undercharges. Each MVPD corrects the error prospectively and does not attempt to bill customers retrospectively for items the MVPDs erroneously left off their bills.

I. Time Warner Cable and Charter Do Not Automatically Refund or Credit Overcharged Customers.

Two MVPDs—Time Warner Cable and Charter—have procedures for identifying overcharges and removing them from customers' bills prospectively. Neither company, however, has automatically provided full retroactive refunds or credits for past overcharges. Instead, Time Warner Cable and Charter have generally granted refunds or credits only upon customer request.

A. Time Warner Cable's Policies and Practices.

To understand Time Warner Cable's policies, the Subcommittee studied how the company identifies billing errors. Each month, Time Warner Cable runs an internal audit comparing its billing records to its equipment and programming records.[5] Due to legacy acquisitions, Time Warner Cable has two separate billing systems, called ICOMS and CSG, and it performs its monthly audit on both systems.[6] Using data from the audit, Time Warner Cable's Revenue Assurance Department (a staff of seven people) generates a list of "inconsistencies"—instances in which the company's billing records do not match the company's equipment or programming records.[7]

If the audit shows that a customer has not been billed for equipment or services that the customer has received, the company treats those inconsistencies as undercharges and adds the appropriate charge to the customer's bill going forward.[8] Time Warner Cable does not attempt to retroactively charge the customer for previous months in which that customer was undercharged.[9]

If the audit shows that a customer has been billed for equipment or services that he or she does not have, the story is more complicated. In some cases, customers agree to pay for equipment they do not actually have so that they can receive a cheaper package price—for example, a consumer who wants only internet

[5] Interview with Erik Walder, Time Warner Cable, Senior Director, Accounting Policy and Revenue Assurance; Ray Remnarce, Time Warner Cable, Director, Billing Operations; Wendy Rasmussen, Time Warner Cable, Vice President, Marketing Operations; David Baran, Time Warner Cable, Group Vice President, Pricing and Promotion; Jeff Zimmerman, Time Warner Cable, Senior Vice President and Deputy General Counsel; Mike Quinn, Time Warner Cable, Group Vice President and Chief Counsel, Regulatory (May 11, 2016) (hereinafter "Time Warner Cable Refund Briefing"). Time Warner Cable further explained that, until 2013, its "review process occurred at a regional level" but that, "[i]n 2013, as part of an internal restructuring, the process was centralized and placed in the Corporate Controller's organization." Letter from Michael Bopp, Counsel to Time Warner Cable, to Senators Rob Portman and Claire McCaskill, at 3 (June 10, 2016).

[6] *See* TWC 17,668 (showing billing errors for ICOMs and CSG customers).

[7] Time Warner Cable Refund Briefing.

[8] *Id.*

[9] *Id.*

service might decide her cheapest option is a promotional package including both internet and cable television. By participating in the promotion, the customer agrees to pay a monthly rental fee for a set-top box but may instruct the company not to provide her with that set-top box.[10] In such a case, the customer's billing records will show a *charge* for a set-top box, but the customer's equipment records will show that he or she does not physically *have* a set-top box.[11] Nevertheless the charge is correct.

To weed out such examples from the audit results, Time Warner Cable investigates each potential overcharge. In the example at hand, Time Warner Cable's subsequent investigation will show that removing the set-top box charge would void the customer's promotional offer and increase her total price—which the company presumes the customer does not want.[12] In such cases, the company will conclude that the customer is being appropriately charged and will not adjust the customer's bill.[13] Time Warner Cable performs this type of investigation for all potential overcharges. In April 2016, for example, Time Warner Cable identified 49,132 pieces of equipment associated with overcharges; of those 49,132 pieces of equipment, 37,653 (approximately 77 percent) were not "correctable" overcharges because they were associated with accounts participating in promotional offers.[14] Time Warner Cable told the Subcommittee that its billing-error rate for video equipment is 0.07 percent.[15]

Once Time Warner Cable identifies bona fide billing errors, it attempts to correct them prospectively. It does so using a software program that enables mass additions or deletions of charges from a large number of customer bills; the company refers to the program as a "macro."[16] That macro, however, is prone to errors. In some months, such as May 2016, the program crashes, and Time Warner Cable is unable to correct any billing errors.[17] When that occurs, depending on how quickly the macro can be corrected, the company may wait until the next month to run the program again.[18] And even when the program does not crash, Time Warner

[10] FCC regulations long-required cable companies to provide cable service using set-top boxes equipped with CableCARDS and, even under recent regulatory reforms, cable operators have a limited ability to provide television service without providing and charging customers for a set-top box. Time Warner Cable informed the Subcommittee that it has invested in, and has begun rolling out, technology that will enable it to provide television service without providing a set-top box.

[11] *See, e.g.*, TWC 17,678.

[12] Time Warner Cable Refund Briefing.

[13] *Id.*

[14] TWC 17,668.

[15] Time Warner Cable Refunds Briefing.

[16] *Id.*

[17] *Id.*

[18] *Id.*

Cable told the Subcommittee that its aim is to correct only 80 percent of billing errors through the macro.[19]

Time Warner Cable does not attempt to trace billing errors to their origin and provide a refund or credit to overcharged customers for the total amount they have overpaid.[20] Instead, Time Warner Cable provides only a *partial* credit for the month in which the error was discovered. Customers must call the company to request a refund or credit to make up for overcharges from previous months.[21] As the graphic below shows, Time Warner Cable does, however, provide its customer service representatives with notice that customers have been overcharged and instructs them that the company "can offer customer credits on request." But the company does not alert the customers themselves of the possibility (indeed, the likelihood) that they have been overcharged on past bills.

> **<u>TV Service Adjustment</u> – Carolinas, Midwest, Northeast**
> A recent account review identified a billing error with TV service on approximately 18,000 customer accounts in ICOMS markets. These customers have been overbilled for modem and CableCARD equipment. We will remove the additional items from customers' accounts as soon as they are identified. We can offer customer credits on request.

To determine the full scope of this problem, the Subcommittee requested data concerning the number of overcharges and the associated dollar amount. The chart below shows Time Warner Cable's nationwide losses and gains resulting from undercharges and overcharges between January and April 2016. It shows that Time Warner Cable overcharged customers $639,948 and undercharged customers $3,595,498. Based on the data below, the Subcommittee estimates that, for 2016, Time Warner Cable will overbill a total of $1,919,844.

[19] *Id.*

[20] *Id.*

[21] *Id.*

Month	Actual Undercharges	Potential Overcharges	Estimated Correctable Overcharges
Jan. 2016	$909,157	$742,746	$170,832
Feb. 2016	$959,564	$707,036	$162,618
Mar. 2016	$852,784	$736,501	$169,395
Apr. 2016	$873,993	$596,098	$137,103
Total	$3,595,498	$2,782,381	$639,948

Sources: TWC 17,686, 17,687.

The Subcommittee also requested information about overcharges to Ohio and Missouri customers. In response, Time Warner Cable produced data from 2015 and 2016. Time Warner Cable estimates that, in 2015, it overbilled 40,193 Ohio customers for a total of $430,393.[22] It estimates that it overbilled 4,232 Missouri customers for a total of $44,152.[23] As shown below, the company also provided data showing Ohio overcharges in the first five months of 2016. Those figures show that Time Warner Cable overbilled for 11,049 pieces of equipment, at a total of $108,221.

Month	Pieces of Equipment	Total Overcharge Amount
January 2016	2,526	$24,087
February 2016	1,998	$19,711
March 2016	2,460	$24,489
April 2016	2,110	$20,757
May 2016	1,955	$19,177
Total	11,049	$108,221

Source: Letter from Michael Bopp, Counsel to Time Warner Cable, to Senators Rob Portman and Claire McCaskill, at 2 (June 16, 2016).

Time Warner Cable defends its policy on the ground that it is efficient. Going through months of customer bills to identify overcharges would be costly and time consuming, the company argues. The company also claims that the customer is best positioned to notice an overcharge and bring it to Time Warner Cable's attention.[24]

The Subcommittee's industry-wide review, however, casts considerable doubt on Time Warner Cable's belief that remedying past overcharges is infeasible. As described below, Comcast's method of identifying overcharges is substantially

[22] Letter from Michael Bopp, Counsel to Time Warner Cable, to Senators Rob Portman and Claire McCaskill, at 2 (June 20, 2016).

[23] *Id.*

[24] Time Warner Cable Refunds Briefing.

similar to Time Warner Cable's—but unlike Time Warner Cable, Comcast takes the additional step of determining how long a customer has been overcharged and uses that information to grant automatic refunds or credits to customers.

In short, during the time covered by the Subcommittee's investigation, Time Warner Cable made no effort to trace the billing error to its origin; did not notify customers of identified overcharges so that customers might determine when they began and request a refund; and did not provide a full refund for the month in which the overcharge was detected.

B. Charter's Policies and Practices.

The Subcommittee also discovered that Charter's practices for identifying and correcting overcharges have been substandard. According to Charter, prior to August 2015, the company did not run any systematic audits to reconcile its billing records with equipment records. Charter's failure to perform regular audits means that overcharged customers could not even receive a prospective correction of their bill unless they noticed the problem themselves and contacted Charter. Beginning in August 2015, however, Charter began taking steps to identify equipment overcharges currently on its system. Charter will complete that process in June 2016.[25]

Charter informed the Subcommittee that it utilizes several procedures to ensure that customers are properly billed, including for equipment. First, Charter has implemented systemic controls to ensure that employees do not add or delete services or equipment from a customer's account without triggering a corresponding change to the customer's billing record.[26] Charter developed these controls to minimize human error during the order entry process. The Subcommittee discovered that Dish has used a comprehensive set of similar controls since it was launched in 1996.[27]

Second, Charter's Billing Quality Assurance team, which comprises 21 employees, samples bills to ensure accuracy.[28] As explained to the Subcommittee, Charter sometimes changes its bill (*e.g.*, in how it groups charges), and the Billing Quality Assurance team is tasked with reviewing applicable bills to ensure that a billing change has not introduced mass errors into customer bills.[29] The Billing

[25] To be clear, Charter has identified certain service overcharges and corrected those overcharges retroactively. For example, in October 2015, Charter identified a systemic issue with certain digital receivers which caused approximately 50,000 subscribers to be charged for Video-On-Demand content that they may not have purchased. Charter notified the affected customers and credited their accounts.

[26] Interview with Mike Ciszek, Charter Vice President, Billing (May 25, 2016).

[27] *See infra* Part II.C.

[28] Interview with Mike Ciszek, Charter Vice President, Billing (May 25, 2016).

[29] *Id.*

Quality Assurance team also reviews a random sample of bills to check for additional systemic errors that should be corrected.[30] The team is unlikely, however, to detect one-off errors, including when customers are overcharged for equipment or programming.

Third, beginning in August 2015, Charter undertook what it calls a "controller reconciliation," in which the company has begun to reconcile its billing records with equipment data from its 35 "controllers" throughout the country.[31] Controllers are pieces of equipment that communicate with set-top boxes to support the delivery of video services by activating or deactivating the set-top box. They hold equipment information at a single point in time but are not designed to be a reporting tool and do not store historical data. As a result, account history and reporting information is unavailable through the controller. Despite these limitations, Charter can send a signal from its billing system to its controllers and identify each set-top box operating on a customer's account and the associated authorized services. Charter treats that data as the definitive source of what hardware is actually in use by each account and what services are authorized.[32]

To date, Charter has completed its controller reconciliation for 27 of its 35 controllers.[33] Charter will finish that process for the remaining eight controllers in June 2016.[34] So far, Charter has identified approximately 11 million set-top boxes in use.[35] Charter told the Subcommittee that the dollar amount associated with overcharges was $442,691 per month.[36] Moreover, Charter told the Subcommittee that its controller reconciliation had identified 5,897 Missouri customers who were overcharged,[37] for an annual value of approximately $494,000.[38] But because the controllers do not store historical data, Charter says it is unable to estimate the total amount of revenue it has generated from equipment overcharges.

Fourth, Charter has instituted a daily systemic reconciliation of equipment charges with equipment in use. That daily reconciliation identifies all customers whose equipment charges exceed the number of pieces of equipment on the customer's account. The company then removes any excess set-top box charges from

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[30] *Id.*

[31] Each of Charter's 35 controllers correspond to a particular coverage area. For example, Charter has a St. Louis controller that is used to communicate with customers' set-top boxes located in 20 Missouri municipalities. Charter 40,187.

[32] Interview with Mike Ciszek, Charter Communications, Vice President, Billing (May 25, 2016).

[33] Email from Brian Benczkowski, Counsel to Charter Communications, to PSI (June 8, 2016).

[34] *Id.*

[35] Interview with Mike Ciszek, Charter Communications, Vice President, Billing (May 25, 2016).

[36] Letter from Brian Benczkowski, Counsel to Charter Communications, to Senators Rob Portman and Claire McCaskill, at 2 (June 10, 2016).

[37] *Id.*

[38] *Id.*

the customer's account via an automated process. According to the company, that process should prevent all equipment overcharges in the future.

Charter explains that it was not able to conduct further investigation into how long customers had been overcharged because its controllers do not automatically and continuously log the equipment in use.[39] Nonetheless, the limits of the controller data do not mean that Charter is powerless to identify how long a customer has been overcharged and nothing prevents Charter from reviewing affected customers' bills and equipment records to identify when a charge appears.

* * *

It is possible for both Time Warner Cable and Charter to do better by their customers. As discussed below, other MVPDs have implemented practices that either (1) use brute manpower to identify how long a customer has been overcharged and automatically grant a refund or credit or (2) do more to minimize mismatches between billing records on one hand and equipment and programming records on the other.

II. By Contrast, Comcast, DirecTV, and Dish Automatically Grant Credits or Refunds to Overcharged Customers.

By contrast to Time Warner Cable and Charter, Comcast and DirecTV provide automatic refunds or credits to customers who have been overcharged by their billing systems, while Dish's billing system is designed to prevent these types of overcharges from occurring in the first place.

A. Comcast's Policies and Practices.

During the course of a year, Comcast processes approximately 35 million "transactions," constituting approximately 287 million "billing interactions"[40]—the total number of line items billed to Comcast customers.

Comcast informed the Subcommittee that it has never relied solely on customers to detect system overcharges and trigger the need for refunds or credits.[41] Instead, Comcast uses an audit process similar to Time Warner Cable's—except that, once Comcast identifies an overcharged customer, it takes steps to identify how long the customer has been overcharged, notify the customer, and automatically apply a credit or provide a refund to the customer's account. Using a program calling Lavastorm CPE, Comcast compares its billing records to its

[39] *Id.*

[40] Letter from Reginald Brown, Counsel for Comcast Corporation, to Senators Rob Portman and Claire McCaskill, at 1 (June 21, 2016).

[41] Interview with Ernie Pighini, Comcast Corporation, Senior Vice President and Controller (May 10, 2016) (hereinafter "May 10 Pighini Interview").

equipment and programming records to identify mismatches.[42] Historically, Comcast performed these checks on a monthly basis, but starting in late 2015, it began to perform these checks on a weekly basis, in order to maintain more accurate billing records.[43] Comcast believes that its billing-error rate is 0.3 percent.[44] Once Comcast has identified mismatches between billing and equipment records, it investigates each individual mismatch to determine if the customer has been improperly billed.[45] Comcast has several groups of employees responsible for conducting those investigations, including a team of 20 employees who work in Revenue Assurance at Comcast's Philadelphia headquarters and additional employees scattered across the country who perform similar functions.[46] In addition, Comcast's West Region has approximately 40 employees dedicated to investigating instances of undercharging and overcharging.[47]

After weeding through the list of billing mismatches, Comcast then corrects customers' bills. Like the other MVPDs, Comcast corrects undercharges prospectively but does not impose retroactive charges on customers.[48] In the case of overcharges, Comcast takes an additional, resource-intensive step that Comcast described as a "challenge."[49] For each overcharge, groups of Comcast employees use customer billing, service, and equipment records to determine how long the customer has been overbilled.[50] Once it has that information, Comcast automatically applies a credit to the affected customers' accounts.

B. DirecTV's Policies and Practices.

DirecTV uses a substantially different method of identifying and correcting billing errors than its competitors. Instead of conducting regular audits, employees in DirecTV's Revenue Assurance Department use a commercial off-the-shelf software product called SAS Enterprise Miner to develop and implement business-analytics tools that continuously search for billing errors.[51] DirecTV says its ultimate goal is to identify and correct errors before bills are sent out, obviating the

[42] June 9 Pighini Interview.

[43] *Id.*

[44] Letter from Reginald Brown, Counsel for Comcast Corporation, to Senators Rob Portman and Claire McCaskill, at 1 (May 2, 2016).

[45] May 10 Pighini Interview.

[46] *Id.*; June 9 Pighini Interview.

[47] May 10 Pighini Interview.

[48] *Id.*

[49] June 9 Pighini Interview.

[50] *Id.*

[51] Interview with Kent Mader, AT&T, Inc., Vice President, Customer Risk Management (June 10, 2016).

need for it to take further action, but it also uses these tools to identify and correct errors on past bills.[52]

When DirecTV identifies past billing errors, it uses a macro to fix the error. Like the other MVPDs, DirecTV corrects undercharges prospectively only.[53] When DirecTV identifies an overcharge, it uses a macro to correct the error prospectively and then uses its business-analytics tools to determine how long customers have been overcharged.[54] DirecTV told the Subcommittee that it goes as far back as necessary to determine how long the customer has been overcharged.[55] In some cases, DirecTV has granted credits worth thousands of dollars.[56]

DirecTV's Revenue Assurance Department consists of 12 employees, who are tasked with detecting flaws in the logic of DirecTV's billing system that can lead to billing errors and implementing business-analytics tools to detect those flaws.[57] According to DirecTV, Revenue Assurance employees accomplish this task using several techniques: When DirecTV rolls-out new offers for customers or otherwise changes a billing practice, Revenue Assurance employees study the changes being made, anticipate what could go wrong, and implement analytics tools to detect potential problems.[58] The Revenue Assurance Department also notifies the division of DirecTV responsible for fixing the problem.[59] In addition, Revenue Assurance employees interact with employees from all over the company regarding billing errors and implement analytics tools to identify those problems.[60]

C. Dish's Policies and Practices.

Like DirecTV, Dish does not rely on regular audits to identify and remedy billing errors.[61] Instead, Dish's billing and provisioning systems (which Dish employees use to add or remove equipment and programming from an account) are linked, meaning that any changes to a customer's equipment or programming are

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[52] *Id.*

[53] *Id.*

[54] *Id.*

[55] *Id.*

[56] DirecTV 94,676.

[57] Interview with Kent Mader, AT&T, Inc., Vice President, Customer Risk Management (June 10, 2016).

[58] *Id.*

[59] *Id.*

[60] *Id.*

[61] Interview with Shannon Picchione, Dish Network, Vice President, Billing and Credit Operations (June 9, 2016). One possible exception is that Dish regularly monitors customers' credit balances to determine if a customer is accruing a large positive balance. When Dish identifies a customer with a large credit balance, it credits the customer's account and contacts the customer to inform him or her of the situation.

automatically reflected on the customer's bill.[62] According to Dish, it is impossible to add or remove equipment without altering the customer's billing records.[63]

Dish provides each customer with one free "receiver"—Dish's term for the equivalent of a set-top box—and charges $7.00 to $15.00 per month for each additional receiver a customer has.[64] That is the only equipment charge. Dish's system will only send a television signal to receivers that have been "activated," which happens as part of the installation process.[65] Once a receiver has been activated, the customer's billing information is automatically updated to reflect that addition.[66] That system ensures that no receiver is added to a customer's account unless it has been activated.

Dish customers return their receivers by mail. Dish provides a packaging label so that it can track the receiver once it has been mailed. When the receiver returns to the Dish warehouse, an employee scans the barcode on the receiver, which removes the receiver from the customer's provisioning records and, in turn, from the customer's bill.[67]

Dish informed the Subcommittee that its billing and provisioning systems have been linked in this way since the company was launched in 1996.[68] As a relatively new market entrant—at least compared to the incumbent cable companies—Dish has enjoyed the benefit of more advanced billing and provisioning software throughout its history, enabling it to create a billing system that simply avoids many of the billing errors some of its competitors must confront on a regular basis. But Dish has also invested substantial resources in keeping its systems up-to-date: It spent many millions between 2009 and 2011 to upgrade its billing system.[69]

* * *

All MVPDs make billing errors, but unlike Comcast, DirecTV and Dish, Time Warner Cable and Charter have failed to provide refunds or notice to overcharged customers. Although both Time Warner Cable and Charter point to technical limitations that make it difficult to determine how long a customer has been

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[62] *Id.*

[63] *Id.*

[64] Dish 6,596.

[65] There are two ways to activate the receiver. First, a Dish technician can scan a barcode on the receiver. Second, the customer can provide the receiver's serial number to a customer service agent, who enters the serial number into Dish's provisioning system.

[66] Interview with Shannon Picchione, Dish Network, Vice President, Billing and Credit Operations (June 9, 2016).

[67] *Id.*

[68] *Id.*

[69] *Id.*

overcharged, their competitors' systems demonstrate that it is possible to implement more effective policies.

III. Actions Taken as a Result of the Subcommittee's Investigation.

As a result of the Subcommittee's work, both Time Warner Cable and Charter have changed some of their policies for handling overcharges.

As explained above, each month Time Warner Cable performs an audit to find overcharges. Going forward, the company will provide an automatic one-month credit to all customers for each piece of overbilled equipment or service. Time Warner will not investigate when it began overcharging those customers unless customers bring specific concerns to the company's attention. Nor will the company automatically provide a full refund dating to when the overcharge began. But the company's new policy will at least provide customers with notice that they have been overcharged, making it easier for overcharged customers to determine whether they should request a larger credit or refund.

Charter has decided to give its customers a one-year credit for any equipment overcharges. In addition, Charter has implemented systemic controls that it claims will prevent equipment overcharges in the future. Although neither Time Warner Cable nor Charter's new policies represent complete solutions to the problems highlighted during the Subcommittee's investigation, they are a first step toward ensuring that they credit or refund customer overcharges.

UNITED STATES SENATOR
CLAIRE McCASKILL
RANKING MEMBER · U.S. SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

INSIDE THE BOX

Customer Service and Billing Practices in the Cable and Satellite Industry

MINORITY STAFF REPORT

Issued June 23, 2016

EXECUTIVE SUMMARY

Millions of Americans rely on their cable or satellite television provider to deliver news, entertainment, and other television programming. However, many customers are deeply dissatisfied with their cable and satellite television providers.

This report focuses on customer service and billing practices at three of the largest cable and the only two satellite television providers in operation when the Subcommittee's investigation began in 2015: Comcast Corporation (Comcast), Time Warner Cable Inc. (Time Warner Cable), and Charter Communications, Inc. (Charter), AT&T Entertainment Group (DirecTV) and Dish Network Corporation (Dish). At the end of 2015, these companies collectively had more than 71 million subscribers. This represented about 72% of all American households that paid to receive television programming and more than 53% of all American households.

Many cable and satellite customers have been frustrated by the cost and complexity of their bills. This report reviews four of the most frequent areas of complaint related to billing for new and current subscribers: (1) the initial pricing, (2) expiring promotions, (3) additional fees and changes, and (4) price increases. This report also reviews the adequacy of the cable and satellite providers' efforts to explain their billing practices to customers.

> ***Initial Pricing:*** One common complaint leveled against cable and satellite providers was that they did not adequately disclose the price of their service in advertising or at the point of sale. For example, one provider conducted an investigation into complaints among customers who felt that they were charged a different price than what they were promised. It determined that approximately 30% of the customers reported they were not quoted the full or correct package price.
>
> ***Expiring Promotions:*** As part of introductory promotions for new customers, many cable and satellite providers offered promotional offers for a set time period, after which the rate increases. This could include a price discount, or free premium channels. However, customers were not always aware that there will be an increase in price when their promotion ends or "rolls off." When promotional prices were advertised by some cable and satellite providers, they were in large eye-catching print, while the price that companies charge after the promotional price rolls off, or the "standard" price, was often only included in the fine print. Companies were aware that customers are surprised and upset by these unexpected increases, and many noted that customers are at the greatest risk of cancelling when their promotional offer ends.
>
> ***Additional Fees and Charges:*** Companies charged many kinds of fees on top of the base price for television service. These fees could substantially increase a customer's total monthly price and were not prominently displayed in advertisements. In addition, companies have been creating new fees, such as broadcast television fees and regional sports network fees, to cover programming that historically was included in the price of a customer's programming package.

Compounding customers' frustration was the rising price for cable and satellite. All of the companies in this investigation have increased their prices since 2011, with the cost of some packages increasing by as much as 33%. While all of the providers notified customers of upcoming price increases, this notification was not always effective. A 2013 internal DirecTV study found that the provider's notices were only effective at alerting 16% of subscribers that prices would increase.

Beyond pricing, customer service remained a problem for the cable and satellite industry. Our investigation found that customers faced difficulties getting their problem resolved by their cable or satellite provider. In December 2015, for instance, 40% of a sample of customers who called Comcast with a billing problem were unable to resolve it on the first call. In December 2014, DirecTV found that 36% of callers contacting the billing department were unable to fully resolve their issue. Charter noted that approximately 20% of callers were not able to solve their problem on the first call. In addition, based on 2015 customer survey data provided by Time Warner Cable, only 42% of customers agreed that Time Warner Cable "has the ability to resolve your problem on the first call."

In addition, when customers called about a problem, they had to listen to sales tactics. For example, when Time Warner Cable customers called to ask about price hikes, the company labeled it as an "opportunity" to upsell them, and advised agents, "[t]he price adjustment brings with it an opportunity to upsell customers." Regardless of the reason that customers may have called, Comcast told its employees to "uncover 'hidden' needs" of their subscribers for additional services. Upselling annoyed enough customers that Dish instructed its agents to note when subscribers ask never to be upsold. However, but for the case of certain exceptions, such as customers calling in with service problems, most Dish agents were required to upsell on every call—even when customers have rejected an initial upsell on a previous call. Cable and satellite providers expected that customers would be frustrated, and devoted a considerable amount of effort into training their customer service representatives to interact with customers who are surprised and upset by the high price of their service.

Finally, when customers decided that they wanted to cancel their service, they faced difficulties in doing so. Rather than simply disconnecting the service online, customers must either visit a retail store or call and speak to a company's "retention" agent. As stated in a Time Warner Cable training document, the goal of the retention agent was to "do the opposite of what the customer is calling for. If the customer is calling into cancel, your goal is to not cancel the services! And if the customer wants to lower the bill, you're going to try to avoid that, and perhaps even raise the bill!" All of the companies in this review trained their retention agents to follow a similar process, which included: (1) asking probing questions to determine how customers use their service and why they want to cancel; (2) proposing "solutions" to address the customers' stated reasons for canceling their service; and (3) overcoming objections from customers who do not want to answer questions, or who do not accept the proposed solution.

Cable and satellite providers trained their retention agents to continue the probing process after customers have indicated they do not want to answer questions and simply want to disconnect their service. For example, Time Warner Cable, DirecTV, and Dish had their agents practice overcoming objections from customers like, "Please disconnect me today. I don't want to go into detail," and "Just cancel the service." Prolonging the process, retention agents made repeated offers to keep customers. Dish and Charter indicated that after a customer has objected to an offer twice, agents should start the process over; however, Charter added that, "[w]e will not need to start from square one, but we will need to overcome hesitations before moving to an agreement." After meeting with the Subcommittee, Comcast stressed to its retention agents that its policy allowed them to stop trying to "save" the customer if the customer refused or became upset by a retention agent's request to ask the customer questions about their decision to disconnect.

Customers attempting to save money by downgrading or dropping a service from their package were often routed to the same retention agents. Cable and satellite providers trained their retention agents to minimize downgrades and the associated loss of revenue by following a step-down process in which the offers made to the customer progress in a stair step fashion, with the offer that has the greatest financial impact on the provider made last. However, in the case of Time Warner Cable, some agents claimed that the offer made is the best price "at that time," despite the fact that lower offers were available.

Cable and satellite providers have acknowledged the need to improve their customer service, and provided information to the Subcommittee regarding their efforts to identify and address customer pain points and improve the customer experience.

BACKGROUND

Millions of Americans rely on their cable or satellite television provider to deliver news, entertainment, and other programming.[1] These providers are known collectively in the cable and satellite industry as "multichannel video programming distributors" (often referred to as "MVPDs"). They range in size from large companies such as Comcast and DirecTV, which have millions of subscribers, to local cable operators that may only have a few hundred subscribers. While cable and satellite providers are often colloquially referred to as "cable companies," in industry terms a "cable operator" specifically refers to a company that provides programming via coaxial or fiber optic cable. Satellite providers use satellite signals to provide programming. While this report focuses on the television programming offered by cable and satellite companies, the companies also provide internet, telephone, and sometimes home security services.

At the end of 2015, three of the largest cable companies and the only two satellite companies collectively had more than 71 million video subscribers. This represented about 72% of all American households that paid to receive television programming and more than 53% of all American households. ***See* Figure 1.**

Even though millions of Americans subscribe to cable and satellite providers, they are deeply dissatisfied with their providers. The most recent American Customer Satisfaction Index (ACSI) survey found pay television service

[1] This report does not address video service provided by telecommunications service providers, such as Verizon FiOS or AT&T U-verse, nor does it include Google Fiber. Combined, these companies serve 11,176,000 subscribers, or roughly 11% of all video subscriber households. However, the cable and satellite providers discussed in this report serve a large majority (about 72%) of all subscriber households. *Google Fiber's Video Subscriber Growth Surges*, REUTERS (Mar. 3, 2016) (online at http://fortune.com/2016/03/03/google-fiber-video-subscriber-growth); *Google Fiber: Horton Hears a Who*, MOFFETT NATHANSON RESEARCH (Mar. 3, 2016) (online athttps://www.moffettnathanson.com/blog.aspx); *Major Pay TV Providers Added About 10,000 Subscribers in 1Q 2016*, LEICHTMAN RESEARCH GROUP (May 17, 2016) (online at http://www.leichtmanresearch.com/press/051716release.html).

scored second-to last in customer satisfaction out of the 43 industries it studies.[2] This 2016 survey, which was based on polling 70,000 consumers, also found that while customer service in the cable and satellite industry as a whole had improved slightly from the year before, there was no other place to go than up. The previous 2015 survey found that the pay TV industry tied for the lowest score out of all 43 industries it surveyed.[3]

Other polls confirm that Americans have an unfavorable opinion of the customer service provided by their cable and satellite providers. In 2015, a Consumer Reports survey found that 20 out of 24 cable providers received the lowest score possible and stated that "along with death and taxes, lousy cable service seems to be one of life's certainties."[4] Comcast, Time Warner Cable, and Charter all rated near the bottom of these survey results.[5] In 2016, another survey of 10,000 consumers found that more than 20% of consumers who had interacted with TV providers reported having a bad experience during the previous six months, the highest level of any industry.[6] Comcast and Time Warner Cable had the highest levels of consumers reporting bad experiences among cable and satellite providers.[7] Finally, in 2015, Comcast, DirecTV, and Dish were all listed on 24/7 Wall Street's "Hall of Shame," a list of the 10 companies with the worst customer service ratings based on a survey of 1,500 American adults.[8] According to the survey, high prices and poor customer service were the biggest consumer complaints.[9]

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[2] American Customer Satisfaction Index, *ACSI Telecommunications Report 2016* (online at http://www.theacsi.org/news-and-resources/customer-satisfaction-reports/reports-2016/acsi-telecommunications-report-2016).

[3] *ACSI Telecom Report Shows Competitive Industries Have Higher Customer Satisfaction*, FIERCE CABLE (June 1, 2016) (online at http://www.fiercecable.com/press-releases/acsi-telecom-report-shows-competitive-industries-have-higher-customer-satis). The last place in 2016 belonged to internet service providers, some of whom are also television providers.

[4] Brad Tuttle, *Even for Cable TV, These Customer Satisfaction Ratings are Horrible*, TIME (May 29, 2015) (online at http://time.com/money/3901532/cable-tv-ratings-internet).

[5] *Id.*

[6] *New Temkin Group Research Shows that Consumers Have Most Bad Experiences With AirTran Airways, Time Warner Cable, Comcast, and HSBC*, MORNING STAR (Mar. 30, 2016) (online at https://www.morningstar.com/news/pr-news-wire/PRNews_20160330PH57602/new-temkin-group-research-shows-that-consumers-have-most-bad-experiences-with-airtran-airways-time-warner-cable-comcast-and-hsbc.html).

[7] *Id.*

[8] *Customer Service Hall of Shame*, 24/7 WALL STREET (July 23, 2015) (online at http://247wallst.com/special-report/2015/07/23/customer-service-hall-of-shame/4).

[9] *Id.*

FIGURE 1: SUBSCRIBER BASE AND MARKET CAPITALIZATION OF TV PROVIDERS

TV PROVIDERS	VIDEO SUBSCRIBERS[10]	COMPANY VALUE[11]	ESTIMATED % OF ALL HOUSEHOLDS[12]	ESTIMATED % OF SUBSCRIBER HOUSEHOLDS[13]
	CABLE COMPANIES			
COMCAST	22,400,000	$145.67B	16.72%	22.4%
Time Warner Cable	11,056,000	$59.66B	8.25%	11.06%
Charter Communications	4,445,000	$25.77B	3.32%	4.45%
	SATELLITE COMPANIES			
DIRECTV	20,112,000	$47.18B	15.01%	20.11%
dish NETWORK	13,874,000	$25.23B	10.35%	13.87%

[10] *Major Pay-TV Providers Added About 10,000 Subscribers in 1Q 2016*, LEICHTMAN RESEARCH GROUP (May 17, 2016) (online at http://www.leichtmanresearch.com/press/051716release.html). This data is current as of the end of the first quarter of 2016. Since the investigation began, Time Warner Cable and Charter merged, and DirecTV merged with AT&T. With the addition of AT&T's U-Verse subscribers, DirecTV would have 25,372,000 total video subscribers. *Id.*

[11] YAHOO! FINANCE (http://finance.yahoo.com) (accessed June 3, 2016).

[12] These percentages were calculated by dividing the number of each provider's subscribers (provided in the first column) by the total number of U.S. households (as identified in the U.S. Census Bureau July 1, 2015 population estimate. U.S. Census Bureau, *Quick Facts* (online at https://www.census.gov/quickfacts/table/PST045215/00) (accessed June 6, 2016).

[13] Jon Lafayette, *Nielsen: Pay-TV Households Dip Below 100M*, BROADCASTING & CABLE (Mar. 24, 2016) (online at http://www.broadcastingcable.com/news/currency/nielsen-pay-tv-households-dip-below-100m/154922).

One of the most widely used measures of customer satisfaction is a Net Promoter Score, or NPS. Essentially, a positive NPS indicates that a customer would recommend the service or product to a friend. A negative NPS indicates that a customer would not—or would even dissuade a friend from purchasing it. The more effort it takes a customer to deal with a problem, such as multiple calls to the company, generally poor customer service, or an ultimately unresolved issue, the lower a company's NPS score.[14] Using data for 2015, the most recent year for which the Subcommittee has access to information for all companies, all of the investigated cable providers had a negative NPS.[15] Dish had a positive score for new and existing customers[16] and DirecTV had a positive score for new customers[17] but a negative score overall.[18]

Although cable and satellite companies have troubling scores in customer satisfaction rankings, they note that most of the millions of interactions with customers are satisfactory. For instance, Charter stated that "To be clear, not all or even most of the calls received by Charter can be characterized as customer 'complaints.'" Time Warner Cable's measures its customers' satisfaction through automated surveys. 87% of customers gave Time Warner Cable an 8, 9, or 10 (with 10 being the most satisfactory) through the third quarter of 2015.[19] Comcast noted that "...the company services roughly 27 million customers and receives more than 1 million customer calls in a given day across the country. Issues that arise with even a very small percentage of these interactions will still constitute a sizeable raw number if viewed in isolation."[20]

METHODOLOGY

Given the importance of cable and satellite television providers to millions of Americans and the frustration that many of them experience as customers, the Subcommittee began an investigation of the consumer practices at three of the largest cable and the only two satellite television providers in operation at the time the Subcommittee's investigation began in 2015: Comcast Corporation (Comcast), Time Warner Cable Inc. (Time Warner Cable), and Charter Communications, Inc. (Charter), AT&T Entertainment Group (DirecTV) and Dish

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[14] *See* COMCAST-PSI-00012184 – 187; COMCAST-PSI-00012254.

[15] COMCAST-PSI-00012940;TWC-00017497; CHTR-MVPD-PSI-00014723. Comcast's current NPS score is positive. Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 18, 2016).

[16] Email from Sarah Leggin, Counsel for Dish, to Subcommittee (June 7, 2016) ("CSC Financial Review – December 2015", at slide 8; "8AM Executive Staff - Operations WE 12.25.15", at slide 3).

[17] DTV-PSI-0094546.

[18] DTV-PSI-0094547. DirecTV's current overall NPS score is positive. DTV-PSI-0094680.

[19] Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill (June 15, 2016).

[20] Letter from Brian A. Benczkowski, Counsel for Charter, to Chairman Portman and Ranking Member McCaskill (Nov. 5, 2015); Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (Feb. 23, 2016).

Network Corporation (Dish). During the course of the investigation, Charter acquired Time Warner Cable, but the two entities will be treated separately for this report.[21] AT&T, which operates a video provider known as AT&T U-verse, acquired DirecTV during the investigation.

As part of its 13-month investigation, the Subcommittee received information and documents from Comcast, Time Warner Cable, Charter, DirecTV, and Dish. The Subcommittee reviewed documents regarding past and current policies related to customer service, price and fee increases, disclosures provided to consumers, retention and downgrade call handling, as well as data related to price increases, customer service spending, the margins made on fees, customer complaints, churn, and satisfaction. Many of the documents provided by the cable and satellite companies that described customer complaints and dissatisfaction were generated by these companies in an effort to improve customer service. Ultimately, the Subcommittee received more than 93,000 documents and conducted dozens of follow-up interviews to better understand the documents provided.

The Subcommittee interviewed cable and satellite providers regarding customer complaints, policies related to call handling of customer service requests and requests to disconnect or downgrade service, the establishment and underlying cost basis of fees added to customer accounts, company policies for disclosing price increases and promotional price roll-offs to customers, and the extent to which companies provide refunds to customers they have overcharged or who have a credit on their account when they terminate their service. The Subcommittee also interviewed customer service and retention representatives from the companies to gain an understanding of how customer service agents apply policies that govern their interactions with customers. Additionally, the Subcommittee interviewed local and federal regulators that interact with cable companies, as well as consumer advocacy groups and groups that conduct consumer research, including the Federal Trade Commission (FTC) and the Federal Communications Commission (FCC), as well as the National Association of Telecommunications Officers and Advisors, and local regulatory officials from across the country. Finally, the Subcommittee also interviewed consumer advocates and researchers about the cable and satellite industry.

TRANSPARENCY AND BILLING PRACTICES

Many cable and satellite customers are frustrated by the cost and complexity of their bills. This section reviews the four most frequent areas of complaint related to billing for new and current subscribers: (1) the initial pricing, (2) expiring promotions, (3) additional fees and charges, and (4) price increases. This section also reviews adequacy of the cable and satellite providers' efforts to explain their billing practices to customers.

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[21] Sarah Rabil & Joe Flint, *Charter Communications Completes Acquisition of Time Warner Cable*, WALL ST. J. (May 25, 2015) (online at http://www.wsj.com/articles/charter-communications-nearing-deal-for-time-warner-cable-1432569555).

Promotional Pricing

One common complaint leveled against cable and satellite providers was that they did not adequately disclose the price of their service in advertising or at the point of sale. For example, in 2014, 23% of DirecTV subscribers who responded to a survey reported that they felt misled during the sign-up process.[22] Of the customers who felt they had been misled, 37% of complaining customers felt that DirecTV customer service representatives misled them during their sign-up phone call.[23] Similarly, in 2012 and 2013, as part of an effort to improve its customer service, Comcast reviewed data concerning "escalated complaints"— complaints that had been elevated beyond the customer service representatives and supervisors related to billing errors— and found that, in 10% of such complaints, customers reported they had been quoted the wrong price at the time of sale.[24] During the limited periods surveyed in 2012 and 2013, as many as 30% of the customers whose complaints related to billing errors were escalated stated that a Comcast representative had quoted the wrong price.[25]

Adding to this frustration and confusion, cable and satellite companies did not always immediately inform customers about the lowest price option available to customers.[26] For example, customer service representatives at DirecTV were told to only offer the lowest price option "if [they] will lose the sale," as this package was only used as an option for customers who were considering cancelling service.[27] Similarly, customer service representatives at DirecTV, Time Warner Cable, Comcast, and Charter were instructed to first attempt to sell customers higher priced packages before moving to less expensive options based on the customers' reactions.[28] In some cases, the lowest price option was difficult for new customers to obtain. For example, Charter did not offer a basic package at all on its website, and customers clicking to see the available video packages on Comcast's website were not shown the lowest priced options unless they click to see additional offers beyond

[22] DTV-PSI-0037314 – 315. Survey respondents could select several options related to what they felt was misleading. *Id.*

[23] *Id.* DirecTV also conducted a survey of its own service technicians about the most frustrating aspects of DirecTV for the customer, "since no one knows [the customer] better than [they do]." Of the responses that identified problems with the call center experience (which comprised 24% of all responses), the most commonly cited issue was that the call center had provided "misinformation/miscommunications on Sales Call." DTV-PSI-0051926, at slides 2, 14, and 16.

[24] COMCAST-PSI-00013400; COMCAST-PSI-00013403; COMCAST-PSI-00013213; COMCAST-PSI-00013218; COMCAST-PSI-00013223; COMCAST-PSI-00013228; COMCAST-PSI-00013232. Comcast noted that it handled one million customer calls per day and the number of complaints was a very small percentage of this total. Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (July 17, 2015).

[25] COMCAST-PSI-00013400; COMCAST-PSI-00013403; COMCAST-PSI-00013213; COMCAST-PSI-00013218; COMCAST-PSI-00013223; COMCAST-PSI-00013228; COMCAST-PSI-00013232.

[26] Permanent Subcommittee on Investigations, Interview of Charter Customer Service officials (May 31, 2016).

[27] DTV-PSI-0024300; Letter from Eleanor J. Hill, Counsel for DirecTV, to Chairman Portman and Ranking Member McCaskill (June 13, 2016).

[28] CHTR-MVPD-PSI-00012891; DTV-PSI-0079420; TWC-00011167; COMCAST-PSI-00011415.

those that appeared on the first screen.[29] Dish, on the other hand, had two levels of low pricing: one for new customers which was advertised, and one for existing customers who were having trouble affording their service.[30]

Confusion When a Promotion Ends

As part of introductory promotions for new customers, many cable and satellite providers offered introductory rates for the first year of service, and, in some cases, then provided a higher, but still discounted, rate the second year of service.[31] In such cases, the customer's rate increased after the first year of service and again after the second year of service.

> [Dish] offered me a ton of discounts... Well, the discounts are over and **the bill is huge!**
>
> – dish NETWORK SUBSCRIBER[32]

For instance, in one of Charter's bundled service packages, the first year's rate was $89.97 per month, and the second year's rate was $109.97 per month. After that, the customer was charged $129.97 per month. After the expiration of all discounts, the ultimate rate of the package could be up to 50% more than the initial price.[33] ***See* Figure 2.**

Furthermore, customers were not always aware that the price would increase when their promotion ended or "rolled off." When promotional prices were advertised by some cable and satellite providers, they were in large eye-catching print, while the price that companies charge after the promotional price rolled off, or the "standard" price, was often only included in the fine print.[34] ***See* Figure 3.** Regardless of whether it was because the difference between the promotional and standard price was not adequately disclosed at the time of sale or

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[29] Xfinity, Home Page (http://www.xfinity.com/Corporate/Learn/DigitalCable/digitalcable.html) (accessed June 3, 2016); Charter, Home Page (https://www.charter.com/browse/content/tv) (accessed June 3, 2016).Charter insisted that this lowest price offering was not available on its webpage because it did not provide the same value as its other packages because many of the included channels could be accessed without cable service through an antenna. Permanent Subcommittee on Investigations, Interview of Charter Customer Service officials (May 31, 2016).

[30] Permanent Subcommittee on Investigations, Call with Jeff Blum, Counsel for Dish Network (June 15, 2016).

[31] The second-year rate, while still an increase over the first year, was lower than the full retail rate.

[32] Consumer complaint (June 12, 2016) (online at https://www.consumeraffairs.com/cable_tv/dish_network.html) (accessed June 20, 2016). This complaint, like others provided, is an example of one customer's experience, and is not intended to be representative of all customers.

[33] CHTR-MVPD-PSI-00000770.

[34] *See*, e.g., *Comcast Current Offers* (www.xfinity.com/Corporate/Learn/DigitalCable/digitalcable.html) (accessed May 10, 2016).

whether it was not prominently displayed in the advertising for the price promotion, the result was that some consumers were often surprised and angry when they later learned that their programming package price had increased after the first or second year.[35]

FIGURE 2: PRICE INCREASES FOR CHARTER'S BUNDLED SERVICE PACKAGES, AS OF 2014[36]

SERVICES	RATES YEAR 1	YEAR 2	STANDARD
	Charter Triple Play		
TV Select + Internet + Phone	$89.97	$109.97	$129.97
TV Silver + Internet + Phone	$109.97	$129.97	$149.97
TV Gold + Internet + Phone	$129.97	$149.97	$169.97
	Charter Single Play		
TV Select	$39.99	$59.99	$59.99
TV Silver	$59.99	$79.99	$79.99
TV Gold	$79.99	$99.99	$99.99

Cable and satellite providers were aware that customers become frustrated when their promotional price or offer ended.[37] Internal analysis by Comcast, Time Warner Cable, and DirecTV all noted that promotional roll offs led to drops in customer satisfaction and commitment.[38] DirecTV actually identified promotional roll offs as the period

[35] TWC_00001227.

[36] CHTR-MVPD-PSI-00000770.

in which customers were least likely to recommend DirecTV to others.[39] In addition, Comcast concluded that "customers are at highest risk of churn [cancellation] at the time when they are rolling off their promotional rate."[40] Time Warner Cable referred to one period of high disconnects as a "hangover" from an aggressive promotional period that ended.[41] Dish observed that the price increase after the first year of a two-year contract was the "biggest complaint customers have with the pay-tv industry."[42]

> Offered a special cable pricing offer for 12 month contract—however, I have had **continual billing problems** with the pricing special..."
>
> – Time Warner Cable SUBSCRIBER[43]

Cable and satellite providers provided some disclosure of promotion roll-offs prior to a bill change. Charter and Time Warner Cable placed messages in their bill before and after a promotion ended with Charter sending letter to customers whose bill would increase by more than $20 between five and seven days before their price would increase.[44] Dish sends a message in the customer's bill or e-bill as well as a notification on the customer's set-top box that displays a message that the promotion is ending, while DirecTV includes a month by month count down during each month of a promotion in the customer's bill and follows up with a "what changed" notification on the following bill.[45] Comcast disclosed the terms of promotions in its marketing materials, required its point of sale agents to disclose that the customer will be receiving a promotional rate and what the price following the end of

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[37] CHTR-MVPD-PSI-00014780; COMCAST-PSI-00012306; COMCAST-PSI-00012178; COMCAST-PSI-00012198; TWC_00001227; DTV-PSI-0036978; DTV-PSI-0036986; DTV-PSI-0036998.

[38] COMCAST-PSI-00012178, COMCAST-PSI-00012198; TWC_00001227; DTV-PSI-0036978; DTV-PSI-0036986; DTV-PSI-0036998.

[39] DTV-PSI-0036978; DTV-PSI-0036986; DTV-PSI-0036998.

[40] COMCAST-PSI-00012306.

[41] TWC_00007954; TWC_00007993.

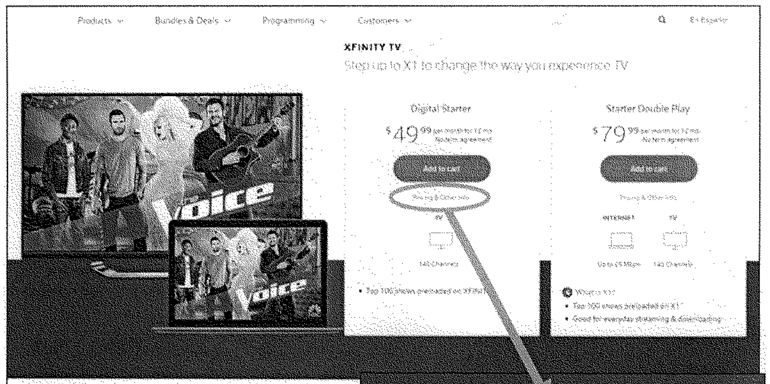
[42] DISH-PSI2015Nov-000425722 ("Keep in in mind that the biggest complaint customers have with the pay-tv industry is that they sign a two-year agreement, but their price increases after the first year.")..

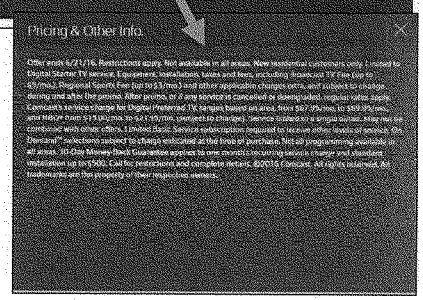
[43] TWC_00017616. This complaint, like others provided, is an example of one customer's experience, and is not intended to be representative of all customers.

[44] Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill (May 27, 2016); Letter from Brian A. Benczkowski, Counsel for Charter, to Chairman Portman and Ranking Member McCaskill (May 17, 2016); Email from Brian A. Benczkowski, Counsel for Charter, to Subcommittee (June 20, 2016).

[45] Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (May 25, 2016); Senate Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (May 12, 2016).

FIGURE 3: EXAMPLE OF PROMOTIONAL PRICING ADVERTISEMENT WITH FINE PRINT[46]





the promotion would be, provided the terms of the promotion in a post-order email following the sale, and noted on the customer's bill that they were on a promotion.[47]

Despite being notified, customers may still have forgotten that they were receiving promotional pricing and therefore may have been surprised by price increases. Some cable and satellite providers trained their representatives to handle customers upset by the changes. As noted in Time Warner Cable's training documents, "[c]ustomers are

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[46] *Comcast Current Offers* (www.xfinity.com/Corporate/Learn/DigitalCable/digitalcable.html) (accessed May 10, 2016).

[47] Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (May 17, 2016); Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 19, 2016).

informed that this price will expire in 12 months, however, many customers are surprised by this change when it happens."[48]

> I noticed ... this month my bill was high, so I looked more closely and noticed I'm being charged almost $40 per month for NFL Sunday ticket...I haven't watched more than a day of football in my life, and I realize that this was likely an automatic renewal for something I didn't realize we were given as a promotion when we signed up. I also realize this is super typical of cable companies and customers have to be on top of making sure they cancel this stuff, but in my opinion that's really bad business. **It's a total bait and switch** and although its [sic] probably a good portion of your revenue, it's not honest...Anyway, I called in to cancel it last night and I wasn't able to. Apparently I've passed some kind of deadline where I can't remove it from my accounts, **so now I'm stuck spending over $200 on something I don't use.**

– **DIRECTV** SUBSCRIBER[49]

Similarly, in Dish's training materials, they instructed customer service representatives that "[w]hen those credits roll off, customers' bills are going to go up anywhere from $14.99 to $44.99, depending on their service level. Because these credits were given three months prior, customers could have forgotten that they got them and when they see a large increase in their bill, they may become escalated. This is where you come in."[50]

In addition to promotional pricing, many cable and satellite providers offered free or reduced-price premium programming—such as HBO, Showtime, and Starz—to entice new or existing customers to add services to their package. While these offers were clearly beneficial for customers, they could also cause confusion when promotional programming disappeared and frustration when some programming was automatically renewed at full price after the promotion ended.

Promotional offers could include free or reduced-price equipment, premium channels, gift cards, and other perks. For example, in 2016 both DirecTV and Dish offered premium movie channels (HBO, Showtime, Cinemax, and Starz) free for three months to new subscribers who purchased certain television packages and entered a two-year service agreement.[51] Comcast offered new subscribers free Showtime for 12 months with the purchase of bundled television and internet service.[52] Charter offered free digital video recorder (DVR) service for one year

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[48] TWC_00001227.

[49] DTV-PSI-0039672. This complaint, like others provided, is an example of one customer's experience, and is not intended to be representative of all customers. While the customer complained about his billing, he did appreciate other aspects of DirecTV service. The customer began, "I honestly do believe DirecTV has the best overall user experience for cable, it's great I can't complain there at all." *Id.*

[50] DISH-PSI2015Nov-000410717 – 718 (emphasis added).

[51] *DirecTV Shopping Cart* (https://www.directv.com/DTVAPP/pepod/configure.jsp#package-section) (accessed June 13, 2016); *Dish TV Packages in your Area* (https://www.infinitydish.com/dish-tv-packages) (accessed June 13, 2016).

[52] Xfinity Home Page (http://www.xfinity.com/Corporate/Learn/DigitalCable/digitalcable.html) (accessed June 3, 2016).

with the purchase of a bundle.[53] Time Warner Cable offered free HBO, Starz, and Showtime for 12 months with a qualifying bundle.[54] The practice of using introductory offers was so common that some companies provided customer service agents a list of different introductory offers to offer customers, based on the type of service that they were purchasing.[55] *See* **Figure 4.**[56]

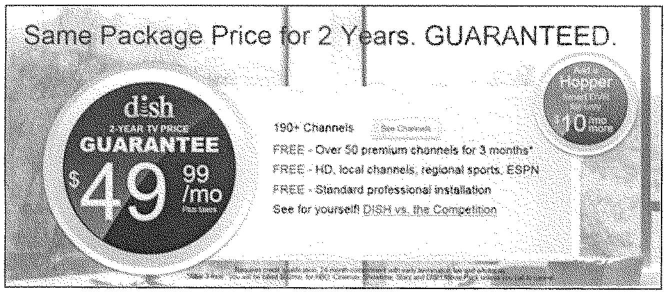

FIGURE 4: DISH PROMOTIONAL PACKAGE WITH ROLL TO PAY PREMIUMS

While some offers disappeared from a customer's bill once a promotion ended, others required customers to call their cable or satellite provider to cancel the service or be charged for subsequent months after the promotion ended.[57] The practice of requiring customers to affirmatively cancel a previously free service is known as "roll-to-pay" pricing.[58] Dish reserved "roll-to-drop" promotions – promotions that simply disappeared from the customer's account - for upset or at-risk customers directed to customer service agents in the company's

[53] Charter Home Page (https://www.charter.com/browse/content/charter-home) (accessed June 6, 2016).

[54] *Time Warner Cable, TV, Internet, & Phone Plans* (https://www.timewarnercable.com/content/twc/en/plans-packages/cable-internet.html/) (accessed June 13, 2016).

[55] DISH-PSI2015Nov-000400880.

[56] Dish Home Page (http://www.dish.com/) (accessed June 21, 2016).

[57] Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (May 12, 2016); DTV-PSI-0036146; DISH-PSI2015NOV-000489029; DTV-PSI-0045764; Internal Subcommittee Analysis ("TWC RTP offer 1", "Charter RTP1", "Charter RTP 2", and "Comcast RTP1,2"); DTV-PSI-0032243.

[58] DISH-PSI2015Nov-000415374.

"Loyalty" division.[59] Additionally, some contracts between premium programming companies and cable and satellite providers required that roll to pay pricing for their programming be offered as part of a promotion. If a cable or satellite provider did not adopt roll to pay pricing for that programming, they could face paying higher prices.[60]

Some cable and satellite providers were aware of the confusion that the auto renewal of introductory offers created. For example, DirecTV identified the auto-renewal of NFL Sunday Ticket as a major contributor to increased calls in 2013 from customers who did not cancel in time to receive a refund on the expensive package of out-of-market National Football League games.[61] Perhaps in response to this, in 2013, DirecTV employees recommended that DirecTV provide customers with an online option to cancel NFL Sunday Ticket.[62] DirecTV now provides customers with more notice and additional time to cancel the service, and DirecTV assured the Subcommittee that customers are able to cancel this service online and through the interactive voice recording system.[63] Similarly, promotional roll offs were among Charter's top escalated complaints in 2015 and 2016. Although Charter had taken steps to address lack of customer awareness regarding expiring promotional pricing, it continued to identify instances where customers were not provided advance notice of promotional roll offs in 2016.[64]

Additional Charges and Fees

The prices advertised by many cable and satellite providers rarely include all charges, taxes, and fees, which can lead to frustration and confusion when customers receive their bill. When customers are finished ordering their cable or satellite service, depending on the number of televisions that they want connected to the service, the fees can make up over 40% of their bill before taxes.[65] Even adding one additional fee can grow a customer's bill substantially.[66]

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[59] Dish's internal documents note that roll-to-drop offers can only be made by agents interacting with customers who are upset or at risk of leaving Dish. DISH-PSI2015Nov-000415374.

[60] Senate Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (May 12, 2016).

[61] DTV-PSI-0036687.

[62] DTV-PSI-0037036.

[63] Additionally, DirecTV now cancels the auto renewal for customers who do not watch NFL Sunday ticket during the season during which they received it for free. Senate Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (May 25, 2016); Email from William Clarkson, Counsel for DirecTV, to Subcommittee (June 20, 2016) ("DTV-PSI Minority Report Response Submission"); DTV-PSI-0094617 621.

[64] CHTR-MVPD-PSI-00014755, at slide 6; CHTR-MVPD-PSI-00014779, at slide 2; CHTR-MVPD-PSI-00014785, at slide 2; CHTR-MVPD-PSI-00014831, at slide 8.

[65] For a Comcast customer signing up for the $49.99 Digital Starter promotional package with two televisions with DVR and optional protection plan, fees would total over $36 ($3.95 for the protection plan, $9.95 for their DVR service, $9.95 for HD Service, $9.95 for an

Fees could include recurring charges for items such as programming, equipment, and high definition (HD) video. Others were one-time fees, such as an installation or a repair-of-service fee. Cable and satellite companies also included taxes and government-mandated surcharges.[67] Because these fees were so numerous and were often not included in promotional and advertising material,[68] they could lead to confusion among consumers who did not understand the purpose of the fees they saw on their bill.

The Subcommittee reviewed how cable and satellite providers set the price of fees and found that they generally used one of three approaches, depending on the type of fee:

> ***Pass-through fees.*** These fees are designed to recover the costs that a company incurs for a certain expense, such as annual regulatory fees the FCC charges. Cable and satellite providers passed those costs onto the customer via the fee on a monthly basis.
>
> ***Revenue-generating fees and services.*** Other types of fees are set according to the company's overall revenue goals, taking into account what the market will bear, and sometimes considering cost, while also focusing on the customer's willingness to pay for a certain service or piece of equipment.[69]
>
> ***Programming fees.*** The third method for pricing fees is to break out programming costs previously incorporated in the overall package price and itemize those costs. While these fees are intended to recoup the rising cost of programming, cable and satellite providers did not price the fees for full cost recovery.[70] Instead these fees allowed cable and satellite providers to recuperate some programming costs outside of the overall package price.

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additional HD set top box, $1.00 for the RSN fee, and $1.50 in the Broadcast TV surcharge). *See* Xfinity Home Page (http://www.xfinity.com/Corporate/Learn/DigitalCable/digitalcable.html) (accessed June 20, 2016); COMCAST-PSI-00011050 –056.

[66] For example, if a customer subscribing to Comcast's Digital Premier Service added one HD DVR to the package, over 20% of the resulting $79.94 monthly recurring bill would be fees related to that equipment and service. Xfinity Home Page (http://www.xfinity.com/Corporate/Learn/DigitalCable/digitalcable.html) (accessed June 3, 2016). Subcommittee staff created this package online, resulting in a total monthly price comprised of the following—package price ($59.99 per month); HD DVR fee ($10.00 per month); HD technology fee ($9.95 per month)—for an estimated monthly total of $79.94. Screenshot of Digital Premier TV package with upgraded HD DVR fee cart (June 20, 2016)..

[67] Cable and satellite providers all charge customers a set of legally required state and local taxes as well as other fees, such as franchise fees and regulatory fees. These fees and taxes make up a small portion of every customer's bill and vary state by state. Email from Sarah Leggin, Counsel for Dish, to Subcommittee (June 7, 2016) ("Taxes_MyDish_Dish Customer support"); COMCAST-PSI-00011050 – 051.

[68] *See, e.g.* DISH-PSI2015NOV-000509814 ("Monthly fees apply: Hopper, $15; Joey, $7; Super Joey, $10. All prices, fees, charges, packages, programming, version features, functionality and offers subject to change without notice.");; DTV-PSI-0078142, at slide 9.

[69] Permanent Subcommittee on Investigations, Interview of Charter Customer Service officials (May 31, 2016); Permanent Subcommittee on Investigations, Interview of Comcast Customer Service officials (June 3, 2016); Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (June 13, 2016); Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (June 9, 2016); Permanent Subcommittee on Investigations, Interview of Time Warner Cable Customer Service officials (May 11, 2016).

[70] TWC_00017723; COMCAST-PSI-00013776; CHTR-MVPD-PSI-00040002; DTV-PSI-0094018.

Despite the differences in pricing, all fees and charges have the potential to cause confusion about what a customer will pay each month.

Pass-Through Fees: Cable and satellite providers charged customers certain fees solely as a means of cost recovery. To price these fees, cable and satellite companies estimated the marginal cost of the fee to the company and then passed it on to customers by dividing it by the number of their subscribers. Regulatory fees are a classic example of a pass-through fee. Cable and satellite providers charged regulatory fees to customers in order to recover the cost of fees imposed on the providers by local, state, or federal regulatory authorities.[71] Regulatory fees can include franchise fees assessed by local franchise authorities, utility fees assessed by the state, and annual fees collected by the FCC. Providers could characterize state and local taxes as regulatory fees. These fees appeared on a customer's bill on a monthly basis. Four of the five cable and satellite providers reviewed by the Subcommittee set the price of their regulatory fees in order to pass through the company's marginal cost to the customer, meaning that no part of the regulatory fees they charged generated profit for the company.[72] DirecTV only passes along taxes to the customer.[73]

Revenue-Generating Fees and Services: The price of most fees was determined according to annual revenue goals set by each cable or satellite provider and what the market would bear.[74] This price structure may take cost into account, but cable and satellite providers focused on supply and demand, pricing, offerings of competitors, and revenue goals.[75] As these fees were not pegged to the actual cost of the equipment or service they represented, cable and satellite providers had the flexibility to increase or decrease the fees as they chose.

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[71] DISH-PSI0006590; COMCAST-PSI-00011050 – 051.

[72] DISH-PSI0006590; COMCAST-PSI-00011050 – 051. Permanent Subcommittee on Investigations, Interview of Charter Customer Service officials (May 31, 2016); Permanent Subcommittee on Investigations, Interview of Comcast Customer Service officials (June 3, 2016);Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (June 9, 2016); Permanent Subcommittee on Investigations, Interview of Time Warner Cable Customer Service officials (May 11, 2016).

[73] Email from William Clarkson, Counsel for DirecTV, to Subcommittee (June 20, 2016) ("DTV-PSI Minority Report Response Submission").

[74] Permanent Subcommittee on Investigations, Interview of Charter Customer Service officials (May 31, 2016); Permanent Subcommittee on Investigations, Interview of Comcast Customer Service officials (June 3, 2016); Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (June 13, 2016); Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (June 9, 2016); Permanent Subcommittee on Investigations, Interview of Time Warner Cable Customer Service officials (May 11, 2016).

[75] Permanent Subcommittee on Investigations, Interview of Charter Customer Service officials (May 31, 2016); Permanent Subcommittee on Investigations, Interview of Comcast Customer Service officials (June 3, 2016); Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (June 13, 2016); Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (June 9, 2016); Permanent Subcommittee on Investigations, Interview of Time Warner Cable Customer Service officials (May 11, 2016).

Cable and satellite providers price a number of fees this way, including recurring fees for equipment and services, as well as one-time fees for services like cable installation.

Equipment and Equipment Service Fees: Cable and satellite companies levied recurring monthly rental charges for set-top boxes, digital converters, access to HD channels, DVRs, and adaptors, among other types of equipment required for service.[76] ***See* Figure 5**[77]

To access HD channels and DVR functions, some cable and satellite providers charged service fees in addition to both the HD and/or DVR compatible receiver. All cable and satellite providers reviewed by the subcommittee charged DVR service fees.[78] Additionally, Dish, Comcast, and DirecTV charged an HD fee, which averaged around $10.[79] For some providers the HD fee, which is disconnected from the cost of providing HD programming, was often only charged to customers who did not ask to have the fee removed. Dish agents are trained to immediately waive the HD fee for customers who complain about it.[80]

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[76] For example, other charges for Comcast can include fees for: HD Technology, Digital Additional Outlet Service, Digital Additional Outlet Service with DVR Service, Digital Additional Outlet Service with AnyRoom DVR Service, Digital Adapter Additional Outlet Service, and the Service Protection Plan. COMCAST-PSI-00011052; *Dish: Fees* (https://www.mydish.com/support/fees) (accessed June 2, 2016).

[77] DTV-PSI-0093564; COMCAST-PSI-00011053; TWC_00017719; Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (May 12, 2016); Email from Sarah Leggin, Counsel for Dish, to Subcommittee (June 7, 2016) ("Request 16 – Fee List – FINAL"); CHTR-MVPD-PSI-00039998.

[78] DTV-PSI-0093564; CHTR-MVPD-PSI-00039998; COMCAST-PSI-00011053; TWC_00017714; Email from Sarah Leggin, Counsel for Dish, to Subcommittee (June 7, 2016) ("Dish Network "Request-16-Feeslist-Final").

[79] Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (May 12, 2016); Permanent Subcommittee on Investigations, Interview of Comcast Customer Service officials (June 3, 2016). DirecTV customer service agents were trained to give credits to offset the HD fee before 2012. DTV-PSI-0057880, at slide 5. Cable and satellite companies with HD fees: Dish, Comcast, DirecTV.

[80] Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (May 12, 2016); DISH-PSI2015Nov-000458085.

Figure 5: HD, DVR, and ARS Fees in 2015[81]

TV PROVIDERS	DVR	HD	ARS
	Cable Companies		
COMCAST	19.95[82]	$9.95 – 10	
Time Warner Cable	$12.99		
Charter Communications	$11.99		
	Satellite Companies		
DIRECTV	$10	$10	$15 – 25
dish Network	$10	$10[83]	
Note: These fees do not include rental fees for equipment			

In 2012, DirecTV, noting that that it had sometimes provided "perpetual HD credits" to customers upset by the HD fee, determined it could increase revenue by consolidating equipment service fees.[84] For new customers,

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[81] DTV-PSI-0093564; COMCAST-PSI-00011053; TWC_00017719; Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (May 12, 2016); Email from Sarah Leggin, Counsel for Dish, to Subcommittee (June 7, 2016) ("Request 16 – Fee List – FINAL"); CHTR-MVPD-PSI-00039998.

[82] Comcast customers with DVR service do not pay a separate charge for HD service as it is included in their $19.95 DVR service fee. Permanent Subcommittee on Investigations, Interview of Counsel for Comcast (June 22, 2016).

[83] Dish stopped charging new customers HD fees in July of 2015, but continued to charge existing customers this fee. Permanent Subcommittee on Investigations, Interview of Counsel for Dish (June 22, 2016).

[84] DTV-PSI-0057880, at slide 5; DTV-PSI-0056483, at slide 2.

DirecTV consolidated the HD and DVR fees into a single charge for "Advanced Receiver Service" (ARS), introducing it at $20.[85] In 2013 the fee was increased to $25.[86] Today new customers are charged $15 for the ARS fee while existing customers whose accounts were created between February 9, 2012 and July 23, 2014 are charged $25 per month.[87] Similarly, Comcast customers paid a combined fee for DVR service.[88] Those who wished to purchase DVR service had the HD fee folded in to their combined fee price of $19.95.[89] While this fee was combined, it could appear separately as HD and DVR service on a customer's bill or jointly as the HDDVR service, depending on the geographic area. While Comcast subscribers could not have DVR service without HD service, they could have HD service on its own.[90] By comparison, in 2015, for services similar to those covered under DirecTV's ARS fee, Time Warner Cable customers paid $12.99 for DVR service, Charter customers paid $11.99 in DVR service for one box or 19.99 for up to four boxes, and Dish customers paid $10 or $15 for DVR service depending on the type of DVR they had, with some Dish customers still also paying the additional $10 HD fee.[91]

Installation Fees: Most cable and satellite television companies charged fees related to the installation of services for new customers.[92] Like DVR and equipment fees, installation and activation fees were not always pinned to a single cost or set of costs but were instead considered in the larger picture of overall revenue production and customer willingness to pay.

These fees varied between cable and satellite providers but could also vary depending on a customer's credit. For example, DirecTV customers with lower credit ratings may have been required to pay a fee at the time of installation, sometimes totaling $300, even when advertisements claimed a "Free DirecTV System."[93] This fee, however, was not presented to them as a fee based on their credit but as an opportunity because they "qualified" for an offer.[94] Similarly, Dish customers who chose not to qualify with a credit card may have been charged a one-

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[85] DTV-PSI-0057880, at slide 5; DTV-PSI-0056350, at slide 2; Email from William Clarkson, Counsel for DirecTV, to Subcommittee (June 20, 2016) ("DTV-PSI Minority Report Response Submission").

[86] DTV-PSI-0094679.

[87] DirecTV, *Is there a Fee for DVR and HD Services* (https://support.directv.com/app/answers/detail/a_id/3267/) (accessed June 20, 2016).

[88] Permanent Subcommittee on Investigations, Interview of Counsel for Comcast (June 22, 2016).

[89] *Id.*

[90] *Id.*

[91] CHTR-MVPD-PSI-00039998; COMCAST-PSI-00011053; TWC_00017719; Email from Sarah Leggin, Counsel for Dish, to Subcommittee (June 7, 2016) ("Request 16 – Fee List – FINAL").

[92] CHTR-MVPD-PSI-00040000; Dish, *Fees* (https://www.mydish.com/support/fees) (accessed June 2, 2016); Comcast 2016 Washington, D.C. Services and Pricing Bill Insert.

[93] DTV-PSI-0050414; DTV-PSI-0050416; DTV-PSI-0050424.

[94] DTV-PSI-0050422; DTV-PSI-0050424.

time fee of $100.[95] While some satellite providers like DirecTV sometimes allowed customers to receive monthly credits to recuperate the cost of these fees, these payments were in $5 increments and could take up to five years to reimburse.[96] Other credit-based fees, like DirecTV's $99 up-front credit-based fee, were non-refundable.[97]

In addition to installation fees, Dish also charged new customers a separate "activation fee," for "non-qualifying" customers based on their credit rating designed to recover the cost of onboarding a new customer.[98] In the case of Charter, these activation and installation fees could be confusing to customers because their description was sometimes included in the fine print of their agreement.[99]

Protection Plans: Almost all cable and satellite television providers had a "protection plan" or service plan, which were fees assessed for an optional service that customers could purchase.[100] Protection plans were similar to insurance in that they covered certain repair charges that occurred in the event of service or equipment failure. For example, if a Comcast customer without a Comcast Service Protection Plan needed an in-home service call, the customer would have been charged $37.15 for a service call, or "truck roll," to fix the issue.[101] If the customer had the protection plan, the customer would have been charged nothing for the service call, but would have been paying the $5.95 monthly protection fee.[102]

Many customers may not need their protection plans. After a television provider set up service in a customer's household, the company typically made few additional service calls.[103] In fact, for some television providers, only a small percentage of customers ever needed service calls.[104]

Protection plans were so valuable to Dish that it instructed its agents not to remove them when trying to accommodate customer requests' to lower the monthly bill.[105] DirecTV customer service agents were instructed

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[95] DISH-PSI2015Nov-000400878.

[96] DTV-PSI-0031234.

[97] DTV-PSI-0031238.

[98] DISH-PSI2015Nov-000414418; Permanent Subcommittee on Investigations, Interview of Counsel for Dish (June 22, 2016).

[99] CHTR-MVPD-PSI-00000301.

[100] Dish, DirecTV, Comcast, Time Warner Cable, and Charter all had some form of this optional service. Charter and Comcast's plans specifically covered problems associated with a subscriber's home wiring.

[101] Comcast 2016 Washington, D.C. Services and Pricing Bill Insert.

[102] *Id.*

[103] Senate Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (May 12, 2016).

[104] *Id.*

that the protection plan must be offered with every sale.[106] Dish, on the other hand, offered their protection plan as a free or reduced-price promotion that would "roll-to-pay" if the customer failed to cancel before their promotion ended.[107]

Programming Fees: Programming fees were charged by four of the five cable and satellite providers reviewed by the Subcommittee. Historically, the costs of programming were included in the price of a customer's package. Over the past five years, however, cable and satellite providers began creating new line items on their bill for broadcast and sports programming in order to charge customers for it in a way that did not affect the base price of their programming packages.[108] Programming fees did not recover the entire cost of the programming provided but attempted to recover a portion of increased programming costs.[109]

Charter, Comcast, and Time Warner Cable charged a "Broadcast TV Surcharge" or similar broadcast retransmission fee, and Comcast, Time Warner Cable, and DirecTV charged a "Regional Sports Network" (RSN) fee.[110] The broadcast retransmission fee and RSN fee may have appeared to be cost pass-throughs, but they were not. They were a portion of programming costs that providers chose to characterize as fees. Broadcast retransmission fees reflected the cost to the cable company of carrying local broadcasters such as ABC, CBS, and NBC.[111] RSN fees applied to customers with packages that included regional sports networks such as Fox Sports Midwest and Sports Time Ohio.[112]

Cable and satellite providers began implementing these fees around 2012, starting them out at relatively low rates such as $1.35 (Charter) per month for a broadcast retransmission fee or $3.00 (DirecTV) for a RSN fee.[113]

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[105] Email from Sarah Leggin, Counsel for Dish, to Subcommittee (June 7, 2016) ("Request 16 – Fee List – FINAL"); DISH-PSI-000401563.

[106] DTV-PSI-0024510.

[107] DISH-PSI2015Nov- 000399641.

[108] COMCAST-PSI-00013679; Subcommittee on Investigations, Interview of Charter Customer Service officials (May 31, 2016). One of the reasons that DirecTV did not include their RSN fee in their package price is that it would have made it more difficult to vary the fee geographically. Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (June 13, 2016).

[109] CHTR-MVPD-PSI-00040002; DTV-PSI-0094018; Comcast-PSI-0013776; TWC_00017723.

[110] CHTR-MVPD-PSI-00040002; COMCAST-PSI-00011052; COMCAST-PSI-00011053; TWC_00010953; DTV-PSI-0093564.

[111] Charter, *My Account* (http://www.charter.net/support/my-account/broadcast-tv-surcharge/) (accessed June 20, 2016).

[112] DirecTV, *Local Regional Sports Network Information* (http://www.directv.com/DTVAPP/global/functionalPageIE.jsp?assetId=cms_sports_lookup) (accessed June 20, 2016).

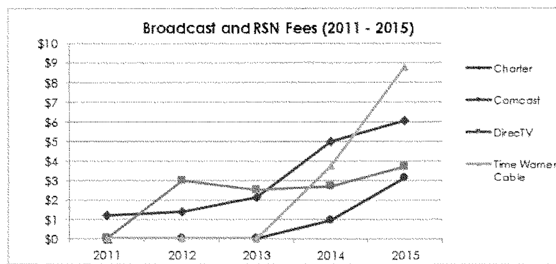
[113] CHTR-MVPD-PSI-00040002; DTV-PSI-0093564.

Today some of these fees have increased substantially, with broadcast retransmission fees costing as much as $6.05 (Charter) and RSN fees as high as $5.64(DirecTV).[114] ***See* Figure 6.**[115]

This chart reflects the total of any RSN fee and any Broadcast TV Fee (or "retransmission fee") imposed by each provider from 2011 to 2015. Not all providers charged both fees. Dish did not charge either a RSN fee or a broadcast fee from 2011 to 2015. The Subcommittee requested that each company provide the amount charged for each fee during the years in question. In cases where the company provided a range (e.g. Comcast's Broadcast fee in 2014 ranged from $0.40 - $1.50) the chart reflects the midpoint of that range ($0.95 for Comcast in 2014).

RSN and broadcast retransmission fees are particularly irksome to customers because they are often unavoidable. When cable and satellite providers charge broadcast retransmission fees, these fees are charged to all customers in all packages.[116] RSN fees on the other hand, can vary from region to region because not every geographic

FIGURE 6: INCREASING RSN AND BROADCAST FEES



market has an RSN, and DirecTV allowed customers to avoid RSN fees by choosing non-sports packages.[117] However, if customers with Comcast, DirecTV, or Time Warner Cable lived in a region where their provider carried

[114] CHTR-MVPD-PSI-00040002; DTV-PSI-0093564.

[115] CHTR-MVPD-PSI-0040002; DTV-PSI-0093564; COMCAST-PSI-00011052 – 053; Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill, attachment (June 7, 2016).

[116] Permanent Subcommittee on Investigations, Interview of Comcast Customer Service officials (June 3, 2016); TWC_00000673; Charter, *My Account – Broadcast TV Surcharge* (http://www.charter.net/support/my-account/broadcast-tv-surcharge/) (accessed June 20, 2016); Permanent Subcommittee on Investigations, Interview of Charter Customer Service officials (May 31, 2016).

[117] Some standard packages were not charged RSN fees, and some customers may have chosen to downgrade to packages that did not include sports programming. DTV-PSI-0056052, at slide 2. DirecTV offers four different base packages that are not subject to RSN fees.

a regional sports network, they likely paid an RSN fee because RSN fees apply to the majority of popular service plans.[118]

Most cable and satellite providers justified these fees by pointing to the increasing costs they faced for carrying broadcast and live sports programming.[119] By creating new, separate line items, they claimed to "more accurately communicate the escalating fees" that cable and satellite providers paid for sports and local programming in a way that did not impact the price that they advertised for cable service.[120] Multiple consumer advocacy groups and local regulators raised concerns about cable and satellite providers' practice of adding fees for programming already included in the package, with one stating that if the fee was unavoidable, it should have been rolled into the package price.[121] ***See* Figure 7.**

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[117] Some standard packages were not charged RSN fees, and some customers may have chosen to downgrade to packages that did not include sports programming. DTV-PSI-0056052, at slide 2. DirecTV offers four different base packages that are not subject to RSN fees. Email from William Clarkson, Counsel for DirecTV, to Subcommittee (June 20, 2016) ("DTV-PSI Minority Report Response Submission"); Permanent Subcommittee on Investigations, Interview of Comcast Customer Service officials (June 3, 2016).

[118] DTV-PSI-0056052, at slide 2; TWC_00010793; COMCAST-PSI-00013679.

[119] Senate Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (June 13, 2016); Senate Permanent Subcommittee on Investigations, Interview of Time Warner Cable Customer Service officials (May 11, 2016).

[120] It is worth noting that the prices cable and satellite providers paid for other types of programming increased as well, but television providers did not create separate charges for those networks, as of yet. TWC_00010793; DTV-PSI-0083103, at slide 7; DISH-PSI0005746; COMCAST-PSI-00013679 ("Comcast retransmission fees will have grown 68% from 2013 to 2014."). ;. Customer service representatives were instructed to use the Sports Programming Fee to call attention to the rising cost of sports programming. TWC_00000985.

[121] Senate Permanent Subcommittee on Investigations, Interview of Alice Lawson (April 5, 2016); Senate Permanent Subcommittee on Investigations, Interview of Matt Wood (March 9, 2016); Senate Permanent Subcommittee on Investigations, Interview of Jodie Miller (April 7, 2016); Senate Permanent Subcommittee on Investigations, Interview of Mitsuko Herrera (April 1, 2016); Senate Permanent Subcommittee on Investigations, Interview of Coralie Wilson (April 14, 2016).

FIGURE 7: INTRODUCTION OF RSN AND BROADCAST FEES[122]

TV PROVIDERS	2011	2012	2013	2014	2015	2016
	CABLE COMPANIES					
COMCAST				√	√✔	√✔
Time Warner Cable				√	√✔	√✔
Charter Communications	√	√	√	√	√	√
	SATELLITE COMPANIES					
DIRECTV		✔	✔	✔	✔	✔
dish NETWORK						

✔ = RSN FEE √ = RETRANSMISSION/BROADCAST FEE

Despite arguing that these fees were for programming costs alone, some cable and satellite providers grouped both of these fees on the bill alongside taxes, fees and regulatory charges, which may have incorrectly suggested to the subscriber that the cable or satellite provider was required by the government to impose these charges.[123] For example, Charter grouped its "Broadcast TV Surcharge" with "Fees and charges" which included regulatory fees like the "FCC Admin Fee" and the franchise fee. Comcast did not place its broadcast TV fee and RSN fee in the

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[122] CHTR-MVPD-PSI-0040002; Letter from Brian A. Benczkowski, Counsel for Charter, to Chairman Portman and Ranking Member McCaskill (June 14, 2016); DTV-PSI-0093564; COMCAST-PSI-00011052 –053; Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill, attachment (June 7, 2016).

[123] TWC_00010793; COMCAST-PSI-00013678, at slide 5; DTV-PSI-0056052, at slide 8; DTV-PSI-0002121.

taxes and fees section but rather placed them in a section called "Other Charges & Credits" which included other charges like "Regulatory Recovery Fees." Time Warner Cable grouped its broadcast TV fee in a section called "Taxes Fees & Surcharges," and DirecTV grouped its RSN fee in a section called "Other Charges, Adjustments, and Taxes."[124]

Price Increases

Since 2010, the price of cable and satellite service increased at four times the rate of inflation.[125] In addition to seeing the price of service increasing,[126] many customers saw their bills increase through the advent of new fees such as the broadcast TV fee and Regional Sports Network fee.[127] Aside from being frustrated by the price of their service increasing, customers felt that they were not adequately informed when and why prices increased.[128]

> I think **it's expensive and it's a hassle** when there's a problem. The price goes up and it is not a good deal.
>
> – COMCAST SUBSCRIBER[129]

Increasing the Cost of Service Packages: The most direct way that cable and satellite providers increased prices was to increase the package rate. While package price increases eventually affected all customers, they were generally not applied to customers who were on promotional pricing until after that promotion ended.[130]

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[124] CHTR-MVPD-PSI-00000002; COMCAST-PSI-00011096; DTV-PSI-0002121; TWC_00000636.

[125] Alicia Adamczyk, *Cable Prices Are Rising at 4 Times the Rate of Inflation*, TIME (Feb. 17, 2016) (online at http://time.com/money/4227133/cable-price-four-times-inflation/); FEDERAL COMMUNICATIONS COMMISSION, *Report on Cable Industry Prices* (May 16, 2014) (online at https://apps.fcc.gov/edocs_public/attachmatch/DA-14-672A1.pdf). The price of programming rose at rates higher than the increase of retail cable rates over the same period. Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 19, 2016).

[126] The price of "America's Top 120" increased from $44.99 in 2011 to $59.99 in 2015. DISH-PSI2015Nov-000460788. Letter from Eleanor J. Hill, Counsel for DirecTV, to Chairman Portman and Ranking Member McCaskill (June 13, 2016); Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 13, 2016); Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill (June 16, 2016); Letter from Brian A. Benczkowski, Counsel for Charter, to Chairman Portman and Ranking Member McCaskill (June 14, 2016).

[127] COMCAST-PSI-00011052 – COMCAST-PSI-00011053; CHTR-MVPD-PSI-0040002.

[128] DTV-PSI-0073809.

[129] COMCAST-PSI-00012215, at slide 42. This complaint, like others provided, is an example of one customer's experience, and is not intended to be representative of all customers.

[130] Those in price lock guarantee were not affected by increase – except for the broadcast surcharge. CHTR-MVPD-PSI-00015182.

When cable and satellite providers decided to increase prices across all of their customers, they sometimes applied credits to the accounts of customers with promotional pricing to defray the cost of the increase.[131]

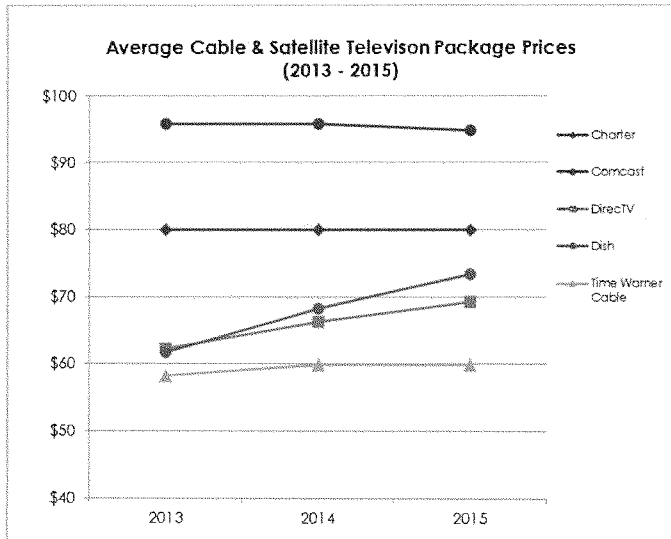

FIGURE 8: AVERAGE PACKAGE PRICE INCREASES[132]

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[131] DISH-PSI2015Nov-000460819.

[132] Prices reflected the average monthly price of each provider's three most popular television packages. This chart does not account for the number of customers who purchased each package in a given year. The three most popular television packages offered by Dish, Time Warner Cable, and Comcast, respectively, were the same each year from 2011 to 2015. DirecTV's three most popular television packages were not the same each year. For consistency, we used the three packages that were the most popular in 2015 ("Choice," "Choice Ultimate," and "Select") throughout (i.e. the 2011, 2012, 2013, and 2014 prices of "Choice," "Choice Ultimate," and "Select"). "Charter moved from a predominantly 'a la carte' legacy pricing model to 'all-in' or New Packaging and Pricing (NPP) in 2012. Under legacy pricing, Charter offered three tiers of service, but offered customers premium or 'add-on' services to purchase on an a la carte basis." In its new packaging, many premium services were now included in the Silver or Gold tiers. Some Charter customers were still on packages that

Within one satellite provider, increases in video package pricing could vary from package to package each year. For example, Dish's 2013 price increase resulted in a 20% increase in the price of some packages, while other packages increased by 7.1%.[133] Between 2011 and 2015, Dish increased all of its most popular packages between 21% and 33%, a $15 increase in the case of their "America's Top 200" package.[134] DirecTV increased prices between 16% and 25% during this same period. [135] Cable providers Comcast and Time Warner Cable had an average increase of almost 9% across each of their packages.[136] ***See* Figure 8.**

Knowing that price increases raised the probability that customers would leave for another cable or satellite provider,[137] many cable and satellite providers tried to time price increases in a way that would not increase customer dissatisfaction. While some cable and satellite providers favored multiple small increases over a period of time, such as limiting "the maximum increase at any one time to about $5," others increased prices less often, with larger impacts.[138] Overall, most cable and satellite providers weighed the timing and presentation of a price increase carefully because it affected the amount that they could raise prices without upsetting customers.[139]

Some cable and satellite providers timed price increases with promotions or gifts to offset anger over price increases. For example, both Dish and DirecTV timed price increases with "thank you" gift promotions, such as free movies.[140] In 2009, Dish provided instant credits to customers by instantly crediting them with $5 to relieve

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were a part of the pre-2012 pricing strategy, but these packages were no longer offered to new customers. Pre-2012 packaging included Basic ($24.99 in 2011), Expanded Basic ($56.99 in 2011), and Digital Home ($63.99 in 2011). In 2015, the new pricing included Select ($59.99 in 2015), Silver ($79.99 in 2015), and Gold ($99.99 in 2015). Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill (June 16, 2016); Letter from Brian A. Benczkowski, Counsel for Charter, to Chairman Portman and Ranking Member McCaskill (June 14, 2016); Letter from Eleanor J. Hill, Counsel for DirecTV, to Chairman Portman and Ranking Member McCaskill (June 13, 2016); Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 13, 2016); DISH-PSI-000460788.

[133] DISH-PSI2015Nov-000460788.

[134] DISH-PSI-000460788.

[135] Letter from Eleanor J. Hill, Counsel for DirecTV, to Chairman Portman and Ranking Member McCaskill (June 13, 2016).

[136] Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 13, 2016); Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill (June 16, 2016). While this increase is less prominent than for the other providers, it is worth noting that Time Warner Cable and Comcast have both RSN and broadcast retransmission fees. COMCAST-PSI-00011052 – 053; TWC_00017723. Comcast has also lowered the price of its Limited Basic package since 2011 and has provided more HD channels and faster internet speeds. Letter from Reginald Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 19, 2016).

[137] *See*, e.g., DTV-PSI-0085376.

[138] COMCAST-PSI-00012652; DISH-PSI2015Nov-000470333, at slide 21.

[139] DTV-PSI-0075127; DISH-PSI-000470333 ("By phasing increases throughout different points in 2013, we limit the maximum increase at any one point in time to about $5, the amount deemed manageable by the Retention team.").

[140] DISH-PSI2015Nov-000460791; DISH -PSI2015Nov-000460811. In the case of DirecTV, these promotional gifts were a test to gauge consumer reaction, and the practice was not continued. DTV-PSI-0084681.

the impact of an $8-$10 price increase.[141] Some television providers also mitigated increases through credits or multiple small increases throughout the year. For example, Dish increased the cost of one service by $15 over the course of a year, but did so in three $5 increments.[142] Finally, when price increases were high, the strategy that some television providers employed was to remove other fees to make the increase more palatable.[143] For example, in 2013, Dish told customers that because they were making "moderate" changes to the "America's Top 120+" subscription, the new price would be $59.99. This was followed by the clarification that "[i]n an effort to reduce the impact of this increase," Dish would be waiving a $5 TV fee to decrease the price increase to only $5.[144] In some cases these strategies were weighed against the potential revenue created by any price increase.[145] While these tactics created temporary relief for customers, they also led to increased frustration when the promotional rate, credit, or "gift" disappeared.[146]

Lack of Transparency about Price Increases: Many customers did not believe that they received timely, accurate, or correct information regarding increases in price. While the providers generally disclosed to new customers that prices "may" change, this caveat was often overlooked by customers who were provided a standard rate that they expected to pay when their promotion ends.[147] In addition, in some cases, equipment and other fees increased as part of company-wide price increases if they were not included in the customer's promotional package.[148]

Before a price increase took place, customers generally received notification on the back of their monthly bill or enclosed in the same envelope.[149] At least four states now require that cable and satellite providers provide 30

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[141] DISH -PSI2015Nov-000460819.

[142] DISH-PSI2015Nov-000470333.

[143] Customer service representatives were instructed to waive the Programming Change Fee for any customer who made a change as a result of increase. DISH-PSI2015Nov-000402975.

[144] DISH-PSI2015Nov-000460812.

[145] DISH-PSI2015Nov-000460816; DISH-PSI2015Nov-000460817; DISH-PSI2015Nov-000460818.

[146] "We just have to balance 'awareness' with churn, because those that were more aware, churned at a much higher rate, regardless of how [they] found out." DTV-PSI-0077378 – 380.

[147] DISH-PSI2015Nov-000399640; TWC_00001292.

[148] Permanent Subcommittee on Investigations, Interview of Charter billing officials (May 31, 2016).

[149] DISH-PSI2015NOV-000402920; DISH-PSI2015Nov-000402991– 992; DISH-PSI2015Nov-00461020; Permanent Subcommittee on Investigations, Interview of Charter Customer Service officials (May 31, 2016); TWC_00010798-799; CHTR-MVPD-PSI- 00015184; DTV-PSI-0075184.

days advance notice of a price increase,[150] while other states without such regulations have some satellite customers receiving less notice that their prices will increase.[151]

Additionally, although cable providers gave notice to all customers of upcoming price increases, these communications were not necessarily effective in making subscribers aware that their bill would increase. A 2013 internal DirecTV study found that the provider's notices were only effective at alerting 16% of subscribers that prices would increase.[152] In 2013, Comcast identified problems with the effectiveness of its efforts to inform consumers of upcoming rate increases, including that rate adjustments were only provided on the paper or PDF form of the bill, and were not posted on the front page of the bill or online account.[153] In addition, training documents from Time Warner Cable showed that consumers seemed to be surprised by price increases.[154]

In 2013, DirecTV conducted a "price increase awareness test" on a select number of subscribers. DirecTV varied the amount and type of notification among this group, who at the time received notification of price increases via an insert in their bill or a message in their e-bill. DirecTV provided "high aware" notification to some customers by sending bill enclosures and multiple emails; other "low aware" customers received notification on the second page of a bill. DirecTV measured the effect of the notification on whether customers left the company. DirecTV found that subscribers who were aware of the price increase canceled their service at higher rates than those who were not aware of the price increase.[155] On the other hand, it found that customers who were made aware of price increases through notification had higher satisfaction scores than customers who discovered the price increase on the bill.[156] However, subsequent DirecTV price awareness testing showed that some "high aware" notifications resulted in a lower NPS score or did not result in a material difference, and that higher levels of awareness did not always result in higher rates of cancellation of service.[157] DirecTV chose not to adopt any of the tested higher or lower aware price awareness techniques among its general subscriber base.[158] In interviews, DirecTV stated that it made this choice was because there was no significant difference in how effective the "high

[150] States with 30 days advance notice: California, Illinois, Ohio, and Wisconsin. DISH-PSI2015Nov-000402973.

[151] DISH-PSI2015NOV-000402991.

[152] DTV-PSI-0066616, at slide 12.

[153] COMCAST-PSI-00012653. Similarly, a local regulator noted that the disclosure of fee increases on the PDF version of the bill meant that customers must click through several pages to see the notice. Permanent Subcommittee on Investigations, Interview of Coralie Wilson, North Suburban Communications Commission (Apr. 14, 2016).

[154] "I wasn't notified of price increase!" TWC_00007703.

[155] DTV-PSI-66616, at slides 13 – 14. "We just have to balance 'awareness' with churn, because those that were more aware, churned at a much higher rate, regardless of how [they] found out." DTV-PSI-0077378 - 380.

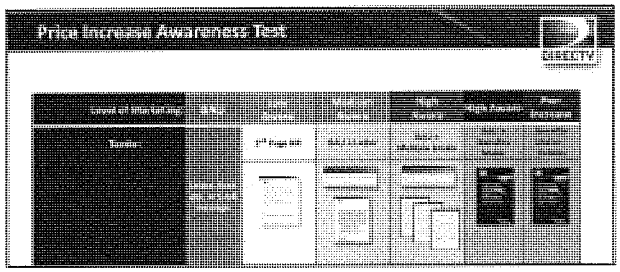
[156] DTV-PSI-66616, at slide 20.

[157] DTV-PSI-0070297.

[158] Permanent Subcommittee on Investigations, Interview of DirecTV billing officials (May 25, 2016).

aware" and "low aware" communications were in notifying the customer of the price increase and that the "high aware" communications were substantially more expensive.[159] After these price awareness tests, DirecTV focused on altering the language of the notification to highlight the reasons for the price increase and made changes to the bill itself to more prominently highlight price increases.[160] ***See* Figure 9.**

FIGURE 9: DIRECTV PRICE AWARENESS TESTING[161]



CUSTOMER SERVICE AND RETENTION PRACTICES

Few subscribers reported a positive experience when calling their cable or satellite company. Customers with a recent interaction with Comcast, for example, were actually more likely to be dissatisfied than customers who had not been in contact with the company.[162] Satisfaction with customer service on the phone was lower than other methods of interacting with Charter, such as at a local office or with a technician visit at the home.[163] When DirecTV surveyed its own technicians about the most frustrating customer experiences (because its technicians are the only employees who physically meet customers), nearly one-quarter of the responses were

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[159] Permanent Subcommittee on Investigations, Interview of DirecTV marketing officials (May 25, 2016).

[160] Permanent Subcommittee on Investigations, Interview of DirecTV billing officials (May 25, 2016); Permanent Subcommittee on Investigations, Interview of DirecTV billing officials (June 13, 2016).

[161] "BAU" refers to business as usual, or the typical practice of notifying customers of a price increase. Permanent Subcommittee on Investigations, Interview of DirecTV billing officials (May 25, 2016); DTV-PSI-00066616, at slides 13–14.

[162] COMCAST-PSI-00012933.

[163] CHTR-MVPD-PSI-00014721.

about problems with the "call center experience."[164]

> It took a month to get someone to set it up... It's over-priced. Half the time, our service goes out. We get fees that we shouldn't have, but **we just pay them so we don't have to deal with customer service.**
>
> – COMCAST SUBSCRIBER[165]

Based on reviews of company complaint and customer satisfaction data, customers often contacted their cable and satellite providers to address a number of issues, with some of the most common reasons centered around billing, technical service or repair issues, and questions about their service and contract.[166] Customers were frequently dissatisfied with their providers' failure to resolve the problem or issue about which the customer called. Customers were frustrated by repeated transfers to different agents and the need to call back after their provider claimed that their problem was resolved.

Even though customers may have called in with problems or questions, cable and satellite providers treated most of these calls as an opportunity to increase profits and sell more services. Customers who called in with a question about their service or bill encountered agents who were trained to take control of the call and "upsell" the customer. Those customers who called in to cancel their service were transferred from a frontline customer service agent to a specialized "retention" agent. As the name suggests, a key job (and pay incentive) for these agents was not necessarily to disconnect customers, but to retain or "save" as many customers as possible. Rather than immediately process disconnection requests, these agents would "probe" customers for why they wanted to cancel and then attempted to persuade customers to continue their subscriptions.

Customer Service Agents Aren't Helping the Customer

When cable or satellite subscribers had a problem with their service, an issue with their equipment, or a question about their bill, they called the customer service phone number associated with their provider. While some information could be accessed through an automated system, callers frequently spoke with a customer service agent in order to resolve their problems.

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[164] DTV-PSI-0051926, at slides 2, 14, and 16.

[165] COMCAST-PSI-00012234.

[166] COMCAST-PSI-00012175; DISH-PSI0002559 – 573; DTV-PSI-0008463 – 468; CHTR-MVPD-PSI-00014741; TWC_00017617.

Unfortunately, cable and satellite providers often did not resolve these problems as quickly as many customers would have liked. In December 2015, for instance, 40% of a sample of customers who called Comcast with a billing problem were unable to resolve it on the first call.[167] In December 2014, DirecTV found that 36% of callers contacting the billing department were unable to fully resolve their issue.[168] Charter noted that approximately 20% of callers were not able to solve their problem on the first call.[169] Time Warner Cable did not track the resolution of individual calls, but stated that it evaluated its customer service agents on whether a customer they spoke with called again within three days of the initial call.[170] However, based on 2015 customer survey data provided by the company, only 42% of customers agreed that Time Warner Cable "has the ability to resolve your problem on the first call."[171]

> I was hung up on four different calls when asking the rep...to assist me with my billing problems because I was being double billed...They would not help me, they would just hang up on me...they were all laughing in the background. They would not give me a supervisor, nor offer me any additional help. Just hung up on me when they were allegedly trying to transfer me. **I don't know who to talk to because your people keep hanging up on me.**
>
> – COMCAST SUBSCRIBER[172]

Ironically, many of the problems that at least one cable provider was asked to resolve may have been caused by that provider in the first place. Comcast conducted an investigation into escalated complaints among customers who felt that they were charged a different price than what they were promised. The investigation determined that approximately 30% of the customers reported they were not quoted the full or correct package price, and in approximately 8% of cases, the customer reported that Comcast applied the incorrect rate code to the account.[173] At Dish, agents had a tool to report instances of customer problems for particular categories, such as

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[167] COMCAST-PSI-00012941.

[168] DTV-PSI-0093809.

[169] CHTR-MVPD-PSI-00014739.

[170] Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill (May 27, 2016).

[171] Based on Q3 2015 data. TWC-00017509.

[172] COMCAST-PSI-00012422. This quote and other quotes from Comcast customer complaints were presented to Comcast's executives as examples of customer complaints. Comcast additionally stated that these quotes were collected as part of an attempt to improve customer service. Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 18, 2016).

[173] COMCAST-PSI-00013400. This investigation occurred in 2013. Comcast conducted similar investigations over the previous year with similar results. COMCAST-PSI-00013213; COMCAST-PSI-00013218; COMCAST-PSI-00013223; COMCAST-PSI-00013228; COMCAST-PSI-00013232.Comcast described one such investigation: "The investigation *determined* 31% of the customers were not

technical problems or high prices. The combined instances of customers complaining they were given wrong information would make it the second largest category on the list.[174]

The reasons that cable and satellite companies have such a bad reputation for customer service are familiar to many consumers. As discussed below, some customers who called seeking a quick fix found themselves transferred from one agent to another, explaining their problem repeatedly. Sometimes, customers not only had to speak to more than one agent, but had to call more than one (or two or three) times to resolve their issues. [175]

Calls Are Often Transferred to the Wrong Agent: One of the most frustrating experiences for customers was being unable to contact a company agent who could resolve their issue. Customers would call in to an agent, who in turn transferred the call and the issue to another agent, who may have transferred the call to another agent, and so on.[176] Sometimes there were legitimate reasons for transfers, but in many cases it became clear to the customer that the number of transfers were unnecessary, and often mistaken. Cable and satellite provider documents make clear that this was not anecdotal. Dish stated that between 10–15% of its calls need to be transferred from one agent to another, and that 5% of its transferred calls were mishandled or invalid. [177]

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quoted the full or correct package price. This is mainly due to the failure to explain equipment charges, taxes, activation fees, installation charges and other one-time charges. 29% did not understand package pricing and the bill was correct. Customer did not understand (Prorates, Bundled Rate, etc). Another 8% were due to the incorrect rate code being added to the customer's account." COMCAST-PSI-00013400. Comcast also stated that this information was from a limited time period between 2012 and 2013. These were the most recent such investigations that Comcast provided the Subcommittee.

[174] Email from Sarah Leggin, Counsel for Dish, to Subcommittee (May 25, 2016) ("Feedback Tool – Report – Business.xlsx); Email from Sarah Leggin, Counsel for Dish, to Subcommittee (May 11, 2016) ("De-Escalation Portal.xlsm"). Dish did not make a determination whether the customer complaint was correct.

[175] DISH-PSI2015Nov-000450167; TWC-00017468; COMCAST-PSI-00013665.

[176] COMCAST-PSI-00012192; COMCAST-PSI-00012194.

[177] Permanent Subcommittee on Investigations, Interview with Dish customer service official (June 22, 2016). One Dish training document suggested that one in five transferred calls were invalid or mishandled when transferred, but Dish provided internal metrics that showed lower rates. DISH-PSI2015NOV-000450167; Email from Sarah Leggin, Counsel for Dish, to Subcommittee (June 22, 2016) ("Report_Time Series_06202016").

I've been on hold for over an hour. I'm still trying to get my issue resolved. My husband is now on the phone, he's been waiting for over thirty minutes. So in all **we've spent more than two hours just waiting for somebody to help us.**

- COMCAST SUBSCRIBER[178]

At Charter, new agents were trained to "take ownership of the situation" with customers "who have been transferred and passed around from automated phone systems and various departments" and who are "angry and frustrated because they feel employees are passing the buck."[179] Despite knowing it was a problem, Charter, like other companies, did not track whether customers were incorrectly transferred.[180] Even when transfers were valid, they could be done in an ineffective manner. For example, DirecTV in September 2014 noted that among its customer-reported survey results, 30% of calls were transferred, and 70% of callers had to re-explain their issue after being transferred.[181]

Customers Call Repeatedly to Resolve Problems and Have Difficulty Resolving Problems: Even when a customer eventually reached an agent who claimed that he or she could help, this may not mean that the customer's issue was resolved. ***See* Figure 10**. For instance, at Time Warner Cable, over one-third of its subscribers in a self-reported survey called customer service three or more times over a six-month period.[182] One in six called at least five times.[183] In addition, 41% of the subscriber complaints made to the FCC about Comcast were made after subscribers had made repeated attempts to resolve the problem with the company.[184] Dish had to caution

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178 COMCAST-PSI-00012430.

179 CHTR-MVPD-PSI-00004272.

180 Letter from Brian A. Benczkowski, Counsel for Charter, to Chairman Portman and Ranking Member McCaskill (May 17, 2016); Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill (May 27, 2016); Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (May 17, 2016).Time Warner Cable noted that they do not evaluate whether or how a call was transferred but submitted records demonstrating that 94% of customer calls are managed by one agent without a transfer. Letter from Michael D. Bopp, Counsel for Time Warner Cable, Chairman Portman and Ranking Member McCaskill (May 27, 2016); Email from Michael D. Bopp, Counsel for Time Warner Cable, to Subcommittee (June 19, 2016).

181 DTV-PSI-0093774.

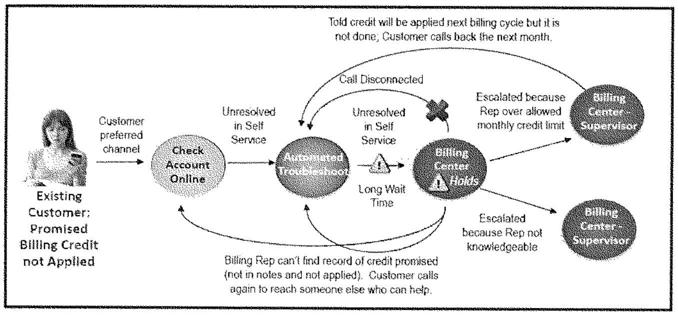
182 TWC-00017468. This study was done before Time Warner Cable's "winning on service" campaign, and, according to Time Warner Cable, does not reflect current contact rates with customer service representatives. Email from Michael D. Bopp, Counsel for Time Warner Cable, to Subcommittee (June 22, 2016).

183 TWC-00017468.

184 COMCAST-PSI-00013665. Comcast stated that only "a very small percentage of Comcast's customers file complaints with the FCC, and it certainly stands to reason that a large number of these are customers who were unable to resolve their concerns with Comcast after multiple attempts." Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 19, 2016).

its agents on a number of transactions with subscribers "where we agree to do something, but then the transaction is not completed."[185]

FIGURE 10: "SAMPLE HIGH EFFORT RESOLUTION PATH"[186]



At Dish, agents were instructed in training materials to tell customers that they will take a particular action in order to reassure the customer but were not instructed to later actually take that action. Among Dish's list of instructions to de-escalate disputes over the quoted price of service was for agents to provide reassurance and "advise the customer that you are going to report the issue to management."[187] However, there was no independent instruction for the agent to actually report the issue, even though other types of calls have specific, independent instructions to report information and to whom to report it.[188]

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[185] DISH-PSI2015Nov-000402634.

[186] COMCAST-PSI-00012176, at slide 17. Interview of Comcast billing official (May 10, 2016). Comcast stated that this slide was a hypothetical and not an actual event. The illustration is titled "sample" and is part of a chapter of a presentation titled "Investigation around Customer Effort." COMCAST-PSI-00012176, at slide 8.

[187] DISH-PSI2015Nov-000413993.

[188] DISH-PSI2015Nov-000413990 – 992, 995. Dish explained these instructions were not necessary because agents were trained generally to report issues to management by highlighting customer concerns using Dish's "Plus One" feedback tool system. Interview of Counsel for Dish (June 20, 2016). However, Dish's "Plus One" system and associated feedback tool provided to the Subcommittee did not contain a specific category for complaints regarding the quoted price of service. Email from Sarah Leggin, Counsel for Dish, to Subcommittee (May 11, 2016) ("Plus Ones Tool – 2016 Report.xlsm"); Email from Sarah Leggin, Counsel for Dish, to Subcommittee (May 25, 2016) ("Feedback Tool – Report – Business.xlsx). Dish's "Plus One" system and associated feedback tool allow agents to manually add new categories for complaints, including complaints regarding the quoted price of service. Email from Jeff Blum, Counsel for Dish, to Subcommittee (June 22, 2016).

> **[Y]ou have to really watch them on billing or you will have charges on your bill that don't apply** and once they are there it is close to impossible to get them off... [Our] bill reflected a charge for a phone that we never had. I called in EVERY month and still the charge was racking up close to 120 dollars. Finally I spoke with a SUPERVISOR who credited me 20 dollars [but] there was more red tape and more hoops to jump through.

- Charter SUBSCRIBER[189]

In December 2015, a Charter subscriber whose blindness prevented him from updating his automatic payment information online called to ask for a customer agent's assistance. The agent's response—correct, according to Charter—was to refer the subscriber back to the website, which the customer could not see.[190] Charter later explained that it did not allow agents access to customer bank account information, and that the customer's account information was updated to his satisfaction within one day of it being received by its escalated complaints department.[191] It is unclear why the customer's problem was not resolved or provided to the escalated complaints department until the subscriber's Congresswoman intervened.[192]

Cable and satellite providers were also reluctant to provide reimbursement or credits to customers who experienced poor service. As Dish trained its agents, "[a]djustments should be your last option for resolving customers' issues."[193] Charter trained its billing agents that credits and adjustments should only be issued upon a customer's request.[194] Many customers who contacted Comcast about billing problems (which often required crediting an account to fix the issue) encountered significant difficulty getting their issue resolved.[195]

Providers Treat Calls as an Opportunity to Make Sales

When customers called their cable or satellite provider with a problem or question, the providers treated most of these calls as an opportunity to increase profits and sell more services. In industry terms, this is known as "upselling" customers. Customer service representatives were trained to attempt to sell more services to

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[189] Consumer complaint (May 26, 2016) (online at https://www.consumeraffairs.com/cable_tv/) (accessed June 20, 2016). This complaint, like others provided, is an example of one customer's experience, and is not intended to be representative of all customers.

[190] CHTR-MVPD-PSI-00014767.

[191] Email from Brian A. Benczkowski, Counsel for Charter, to Subcommittee (June 20, 2016).

[192] CHTR-MVPD-PSI-00014767.

[193] DISH-PSI2015Nov-000404049.

[194] CHTR-MVPD-PSI-00004066.

[195] COMCAST-PSI-00012191. Among customers who contacted Comcast about a billing problem during the first quarter of 2015, 43% did not have their issue resolved; by comparison, problems related to service or equipment were resolved over 70% of the time. *Id.*

customers, regardless of what issue the customer was calling about.

> The customer service rep was **more interested in selling my mother a service** than troubleshooting the issue at hand. It turned out to be a loose wire in the back of the cable box. Something that should [be in] your troubleshooting protocol at the very least.
>
> – **DIRECTV** SUBSCRIBER[196]

Customer Service Agents Are Trained To Manage Calls and Make Sales: Cable and satellite companies trained their agents to control the conversation with subscribers. Customers were "probed" with questions to determine what additional services they might buy, "opened" with offers of more expensive services, and "closed" in order to complete the sale. Customers who became angry or upset regarding their service were viewed as an occupational hazard for call center representatives.

Controlling the Call to Make the Sale. While customers may believe that, having called a provider, they are driving the conversation, cable and satellite companies seek to ensure that their agents are in control. As one Dish training block described, "[Y]ou should be able to establish control on a call, maintain control of a call, [and] regain control of a call after it has been lost.[197] Time Warner Cable told its agents to "set the agenda" when the customer called, "assert the agenda" throughout the call, and "reset the agenda" to sell its customers additional services (as will be discussed below).[198] Comcast told its agents to avoid using "trap words" that might reinforce something negative the customer stated, even though many of these words seemed to have plain and suitable meanings (examples include "rate increases" and "disconnect").[199]

Even in situations where upselling seemed unlikely, Charter and Time Warner Cable instructed agents to attempt it. Charter's first step in its retention offer strategy was to "attempt to maintain or increase revenue."[200] When Time Warner Cable customers were calling to ask about price hikes, the company

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[196] DTV-PSI-0039668.

[197] DISH-PSI2015Nov-000425882.

[198] TWC_00001234; TWC_00001270.

[199] COMCAST-PSI-00011219.

[200] CHTR-MVPD-PSI-0013139.

labeled it as an "opportunity" to upsell them,[201] advising "[t]he price adjustment brings with it an opportunity to upsell customers."[202]

> Do we want the customers telling us what they need? NO!!! We need to always remain in control at all times.
>
> Time Warner Cable [203]

Employees were trained to "probe" their customers with questions to identify additional services that they could be persuaded to buy.[204] Agents at Dish were discouraged from asking "purpose-less" questions like "How's your day going?" and instead were instructed to ask questions whose answers might suggest additional services to sell, such as whether they have children (and might therefore want children's programming).[205] Time Warner Cable said, "Don't ask a question unless it will help you select and recommend the right package, unless it helps you save or sell."[206] Agents were even encouraged to listen to the surrounding sound at the customers home for a sales advantage; if they heard children they could suggest family programming and if they heard cheering they could suggest sports packages.[207] Regardless of the reason that customers may have called, Comcast told its employees to "uncover 'hidden' needs" of their subscribers for additional services.[208] Charter encouraged agents to ask "high value discovery questions" aimed at "aligning the customer's needs" with their more expensive packages.[209]

Time Warner Cable tested a tactic called "open extreme," an attempt to extract the most revenue from the customer by selling the most expensive service.[210] In a company training slide, agents were given an example of a customer calling in who was currently paying $100 per month. Agents were taught to begin

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[201] TWC_00000750; TWC_00010880.

[202] TWC_00010797.

[203] TWC-00011193.

[204] TWC_00001109.

[205] DISH-PSI2015Nov-000410717.

[206] TWC_00001270.

[207] DISH-PSI2015Nov-000414237.

[208] COMCAST-PSI-00012105.

[209] CHTR-MVPD-PSI-00011050.

[210] TWC_00001205.

by pitching at an "extreme opening rate" that would increase the customer's bill by 50%.[211] Time Warner Cable told its agents: "Don't make assumptions about what a customer can afford."[212] Time Warner Cable reported that after an initial trial, it ceased using this tactic.[213]

Dish and Timer Warner Cable used a technique, called the "assumptive close" or "presumptive close,"[214] which had the potential to pressure customers to accept unwanted products or services. An assumptive or presumptive close sought the customer's consent to the sale or "solution" in a manner that assumed the customer has already assented. For example, rather than asking, "Would you like HBO?" agents would ask, "Would you prefer I add HBO or Showtime to your account?" or "I can get a tech out to you Thursday or Friday. Which day would you like?"[215] As Dish advised its agents, closes should be assumptive in part because this tactic "reduces the customer's opportunity to object."[216] One example of a Dish close was not even a question, but simply the statement: "So you can start enjoying these movies immediately, I will add HBO to your account."[217]

The industry described these sales pitches as "solutions" offered to their subscribers. Dish justified upselling because, by increasing revenue, it would "avoid the potential of more frequent and higher price increases for our customers."[218] However, many customers did not seem to want them. Comcast found that 18% of its dissatisfied customers were upset that the company had tried to upsell them when they called.[219] Upselling annoyed enough customers that Dish instructed its agents to note when subscribers asked never to be upsold.[220] However, but for the case of certain exceptions, such as customers calling in

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[211] *Id.*

[212] TWC_00001208. Charter agents were also taught to "start with presenting a package option that provides more services for the customer CHTR-MVPD-PSI-0000687. For instance, Charter instructed its agents to "always lead with the DVR service pricing for up to four boxes," even when it has a cheaper single box DVR service fee. CHTR-MVPD-PSI-0000832.

[213] Email from Michael D. Bopp, Counsel for Time Warner Cable, to Subcommittee (June 19, 2016).

[214] CHTR-MVPD-PSI-00011061 – 063; DISH-PSI2015Nov-000414240; DISH-PSI2015Nov-000414246; TWC_00001276.

[215] DISH-PSI2015Nov-000414240; DISH-PSI2015Nov-000414246; TWC_00001276.

[216] DISH-PSI2015Nov-000414240; DISH-PSI2015Nov-000414246.

[217] DISH-PSI2015Nov-000414240.

[218] DISH-PSI2015Nov-000450622.

[219] COMCAST-PSI-00012459. This information comes from a 2014 survey of dissatisfied customers who were prompted with possible reasons for their dissatisfaction. Of those customers, 18% reported an attempt to upsell as a source of their dissatisfaction. Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (July 17, 2015).

[220] DISH-PSI2015Nov-000421110.

with service problems, most Dish agents were required to upsell on every call—even when customers rejected an initial upsell on a previous call.[221]

Customer service representatives were evaluated and compensated, in part, based on their ability to make sales. At Dish, upselling was usually part of an agent's performance evaluation.[222] In addition to monetary incentives, the company offered promotions to its agents. If agents met sales goals, they could receive entries into sweepstakes, restaurant gift cards or an office party.[223] And if agents were top performers, they could be recognized in company newsletters.[224] Comcast's billing agent evaluation instructions indicated that an employee was performing "below expectations" if he or she did not solicit customers to purchase additional services, and scorecards for billing representatives included metrics like "Upgrade Transitional Sales Close Rate."[225] DirecTV agents, even those who handled billing or technical support calls, had sales or "upgrade" goals.[226] Time Warner Cable customer care representatives could receive sales commissions in addition to their base pay.[227]

Handling Customers' Anger. Customer service representatives underwent extensive training on how to deal with angry, irate, or (to use an industry euphemism) "escalated" customers.[228] Charter warned its agents: "Do not pause when you address that the customer is not going to get what they desire. It is crucial to instantly move to a *can do* statement."[229] In a training designed to help agents not take customers' anger personally, Comcast told its agents: "Don Miguel Ruiz, a surgeon, author, and mythologist, said: '[...] Nothing others do is because of you. What others say and do is a projection of their own reality.'"[230] DirecTV assured its agents: "Keep in mind that customers may tend to exaggerate."[231]

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[221] DISH-PSI2015Nov-000401363; DISH-PSI2015Nov-000411606; DISH-PSI2015Nov-000450622.

[222] DISH-PSI2015-000450622.

[223] DISH-PSI2015Nov-000420633; DISH-PSI2015Nov-000421278.

[224] DISH-PSI2015Nov-000422507.

[225] COMCAST-PSI-00011821; COMCAST-PSI-00012171.

[226] DTV-PSI-0089310. DirecTV stated that, despite these sales goals, the main function of its technical assistance agents was to assist customers in resolving technical issues, and the primary function of its billing agents was to answer and resolve customer inquiries. Email from William Clarkson, Counsel for DirecTV, to Subcommittee (June 20, 2016) ("DTV-PSI Minority Report Response Submission").

[227] TWC_00017132-133; TWC_00017136 – 137.

[228] COMCAST-PSI-00011603; TWC_00007777; CHTR-MVPD-PSI-00012631; DTV-PSI-0089489.

[229] CHTR-MVPD-PSI-00012631.

[230] COMCAST-PSI-00011608.

[231] DTV-PSI-0089507.

{ Like a matador, you must mentally 'step aside' and let the bull run past you...until it gets tired and calms down.

– DIRECTV Instructions to Agents on "De-escalating" Upset Customers[232]

Providers devoted a considerable amount of effort into training their customer service representatives to interact with customers who were surprised and upset by the high price of their service. For instance, DirecTV instructed its agents that "the key is to ask clarifying questions that move the conversation forward and toward a resolution, as opposed to questions that have customers repeat what made them upset" and to change the subject and "avoid reminding the customer of the reason he or she called."[233] *See* **Figure 11**.

Figure 11: DirecTV: De-escalating Upset Customers[234]

Provide an Example	**Customer statement:** "You advertisements are completely false! I am paying WAY more than I was told I would be paying when I signed up. If DIRECTV keeps trying to rip me off I'm going to have to go back to cable."
- Bad example	**Dangerous Clarifying Question:** "Earlier, you mentioned that you were paying more than you expected. How much were you told you would have to pay?" **In this example, the CSR is reminding the customer of the reason he or she was upset.**
- Good example	**Information Seeking Clarifying Question:** "Earlier, you mentioned that you were paying more than you expected. Help me understand which programming and services are most important to you?" **This response steers clear of cost and allows the customer to focus on WINs.**

[232] DTV-PSI-0089498 – 499.

[233] DTV-PSI-0089525. As part of this instruction, DirecTV stated that "the key is to ask clarifying questions that move the conversation forward and toward a resolution, as opposed to questions that have customers repeat what made them upset." *Id.*

[234] DTV-PSI-0089526.

All of the cable and satellite providers provided training on how to handle customers who were upset due to a promotional price ending, or an increase in standard pricing. Following a price increase, or notification thereof, callers were routed to specially trained customer service agents who received training on how to handle callers upset about price increases and the cost of cable. For instance, Time Warner Cable and Dish conducted role-play scenarios with agents acting as customers angry about a price increase.[235] These agents had access to specialized systems that helped handle calls, provide additional information, and even assist in communicating with price increase callers.[236] For example, Charter's system created flags for each account highlighting how rate change affected each customer's account,[237] and Dish Network created a separate system for handling calls called the "de-escalation portal."[238]

Retention Agents are Trained to Keep Customers From Canceling Service: Customers' frustrations continued when they attempted to cancel or downgrade service, as they had to clear certain hurdles in order to do so. While the number of providers in certain areas of the country remains limited, consumers may have had the option of changing providers or canceling their cable or satellite service and using video services delivered over the internet, such as Netflix or PlayStationVue. Companies were aware of this possibility, and took certain steps that made it more difficult for a customer to downgrade or disconnect their service.

FIGURE 12: TIME WARNER CABLE RETENTION TRAINING[239]

The Conundrum

One of the most challenging things about being a retention agent is that to be successful, you have to do the opposite of what the customer is calling in for.

- If the customer is calling into cancel, your goal is to *not* cancel the services!
- And if the customer wants to lower the bill, you're going to try to avoid that, and perhaps even *raise* the bill!

[235] DISH-PSI2015Nov-000411072; TWC_00010932.

[236] CHTR-MVPD-PSI-00015181.

[237] CHTR-MVPD-PSI-00015122.

[238] DISH-PSI2015Nov-000403100.

[239] TWC 00001391.

First, the cable and satellite providers included in our review did not provide an option for customers to disconnect their service online; instead, customers had to either visit a retail store in person or call the provider to cancel their services.[240] Then, when customers called to disconnect their service, they had to speak to a "retention" or "loyalty" agent, whose job was to try to prevent the customer from disconnecting their account.

With few exceptions, such as the death of a subscriber or a subscriber moving out of the provider's service area, cable and satellite companies required that their retention agents attempt to "save" every customer who wanted to cancel their service.[241] The exception was Comcast, which, in February 2016, after meeting with the Subcommittee, stressed to its retention agents that its policy allowed agents to stop trying to "save" the customer if the customer refused or became upset by a retention agent's request to ask the customer questions about his or her decision to disconnect.[242] ***See* Figure 12**.

All of the companies in this review trained their retention agents to follow a relatively similar process, which included:

Asking "probing" questions to determine how customers use their service and why they want to cancel their service.[243]

Proposing "solutions" to address the customers' stated reasons for canceling their service.[244]

Overcoming objections from customers who did not want to answer questions, or who did not accept the proposed solution.[245]

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[240] Comcast allowed customers to submit a request to cancel services online, after which they would receive a call from an agent to process the disconnection of service. Comcast characterized this follow-up call as basic and intended to prevent fraudulent activity and the unauthorized cancellation of services that may have served life-saving or other critical purposes. Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (May 17, 2016).

[241] COMCAST-PSI-00011230 – 233; TWC_00001155; TWC_ 00001314 – 315; TWC_ 00001565; TWC_ 00001379; TWC_ 00001430; DISH-PSI2015Nov-000421496; DTV-PSI-0075515; CHTR-MVPD-PSI-00012853.

[242] COMCAST-PSI-00011584 – 586; Email from David Gringer, Counsel for Comcast, to Subcommittee (Feb. 16, 2016) ("S4 Enchancements_JobAid_Guidelines", "S4_eBrief_2016-01_Edited").

[243] COMCAST-PSI-00011112; COMCAST-PSI-00011116; COMCAST-PSI-00011144; DTV-PSI-0089916; TWC_ 00001109; CHTR-MVPD-PSI-00000334; DISH- PSI2015Nov-000425336; DTV-PSI-0089914.

[244] DISH-PSI2015Nov-000421437; DISH- PSI2015Nov-000438094; COMCAST-PSI-00011314 – 315; TWC_ 00001386; CHTR-MVPD-PSI-00000337; DTV-PSI-0089918.

[245] DTV-PSI-0090315; COMCAST-PSI-00011579; TWC_ 00001431; Dish- PSI2015Nov-000437649; DISH-PSI2015Nov-000421437; CHTR-MVPD-PSI-00004962 – 964; CHTR-MVPD-PSI-00004987. During the course of our review, Comcast updated its training to stress that agents would not be penalized for complying with customers' requests when the customers indicated they did not want to discuss their reasons for disconnecting. In correspondence with the Subcommittee, Charter stated that if customers do not want to discuss why they are leaving, agents are expected to honor the request.

Cable and satellite providers evaluated and compensated their retention agents based on their ability to prevent customers from canceling or lowering their level of service. The retention process could lead to a frustrating experience for customers who simply wanted to cancel their service and were not interested in having conversations about the reasoning behind their decision or listening to new sales offers to prevent them from leaving. Similarly, some customers attempting to downgrade, or lower their level of service, had to go through a similar process and negotiate with the retention agents in order to receive lower-priced services. Moreover, customers who were willing to negotiate with the agent in order to receive a lower price or different package were at a disadvantage because retention agents had much more access to in-depth comparisons of their packages with their competitors' offerings, as well as detailed information on the customers' account history and pricing.

Customers Required to Speak with Providers' Agents to Cancel Service. Although customers were able to easily sign-up for and upgrade their service online, the cable and satellite providers included in our review did not provide an option for customers to disconnect their service online. Customers were required to either visit a retail store in person or call the provider to cancel their services.[246] *See* Figure 13.

> After watching my bill climb and climb I decided to finally cut the cord and cancel my Charter service...It just wasn't worth it. I was forced to talk to a retention specialist before I could cancel. He offered me a really great deal for 1 year and promised technical solutions to some of my problems. I accepted. **The year-long offer lasted exactly one month.** The very next month my bill not only went back up but it was higher than it had ever been. I called back and told them I was done for good. The new retention rep offered me the same deal, but of course I wasn't going to fall for that again. So glad to be done with this awful company!

– FORMER Charter SUBSCRIBER[247]

Although customers were able to easily sign-up for and upgrade their service online, the cable and satellite providers included in our review did not provide an option for customers to disconnect their service online. Customers were required to either visit a retail store in person or call the provider to

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[246] Comcast allowed customers to submit an email request to cancel services online, after which they received a call from an agent to process the disconnection of services. Comcast characterized this follow-up call as basic and intended to prevent fraudulent activity and the unauthorized cancellation of services that may have served life-saving or other critical purposes. Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (May 17, 2016).

[247] Consumer complaint (Apr. 19, 2016) (online at https://www.consumeraffairs.com/cable_tv/) (accessed June 20, 2016).

cancel their services.[248] *See* **Figure 13**.

	ONLINE SELF- SERVICE OPTIONS			
TV PROVIDERS	SIGN UP FOR SERVICE	UPGRADE SERVICE	DOWNGRADE SERVICE	CANCEL SERVICE
	CABLE COMPANIES			
COMCAST	✓	✓	X	X
Time Warner Cable	✓	✓	X	X
Charter	✓	✓	X	X
	SATELLITE COMPANIES			
DIRECTV	✓	✓	✓[249]	X
dish NETWORK	✓	✓	✓	X

FIGURE 13: SELF-SERVICE OPTIONS[250]

[248] Comcast allowed customers to submit an email request to cancel services online, after which they received a call from an agent to process the disconnection of services. Comcast characterized this follow-up call as basic and intended to prevent fraudulent activity and the unauthorized cancellation of services that may have served life-saving or other critical purposes. Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (May 17, 2016).

[249] DirecTV said that customers could downgrade packages online through self-service, so long as the packages did not include premium channels. In addition, officials noted that customers who wanted to remove premiums or cancel a line of business had to call so that DirecTV could "understand their issues and craft tailored solutions to meet their individual needs." Email from William Clarkson, Counsel for DirecTV, to Subcommittee (June 20, 2016) ("DTV-PSI Minority Report Response Submission").

If a cable or satellite customer indicates that they were interested in disconnecting their service, the call was routed to a retention agent. For example, a customer may have selected the option to cancel their service through the automated phone system and be routed directly to retention, or a customer service agent may have determined that the customer should be transferred to retention (for example, if the customer needed to lower the price or disconnect service).[251]

Cable and satellite providers trained their retention agents to try and prevent the customers from cancelling their service and to minimize revenue loss if the customers decided to stay. To accomplish this goal, retention agents underwent special training in which they learned: (1) to engage in a conversation with the customer that allows the agent to determine why the customer wants to cancel; (2) to emphasize the "value" of the service; (3) to present offers in an attempt to keep the customer from canceling; and (4) to overcome objections from customers that are not interested in discussing their reasons for canceling as well as customers that do not accept the offers proposed by the agent.

The cable and satellite providers stated that there were benefits for customers associated with the retention process, such as enabling the provider to help customers by educating them about their services or addressing problems with the service;[252] ensuring customers received important disclosures about early termination fees;[253] and giving the provider insight into the customers' needs.[254]

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[250] For the purposes of this chart, we are using the term downgrade to mean changing to a less expensive package option or dropping a service (phone, Internet, or television) from a package rather than canceling a premium channel or ancillary service. Some providers allowed customers to cancel add-ons, such as HBO or Showtime. Letter from Brian A. Benczkowski, Counsel for Charter, to Chairman Portman and Ranking Member McCaskill (May 17, 2016); Charter Home Page (https://www.charter.com/browse/content/charter-home); Chat Transcript between Charter and Crystal Huggins (June 6, 2016) chat transcript (on file with Subcommittee); Comcast: Xfinity, *Product Overview Page* (http://www.xfinity.com/corporate/shop/productoverview.html); Xfinity, *Cancel Service Page* (http://customer.xfinity.com/help-and-support/internet/cancel-my-xfinity-services/); Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (May 17, 2016); Time Warner Cable, *Cancel Service Page* (http://www.timewarnercable.com/en/support/faqs/faqs-account-and-billing/move-or-transfer-service/how-do-i-make-changes-to-my-ti.html); Time Warner Cable, *Service Page* (http://www.timewarnercable.com/en/residential.html); Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill (May 27, 2016); DirecTV,Home Page (http://www.directv.com/ ; DirecTV, *Change Package Page* (https://support.directv.com/app/answers/detail/a_id/1589/~/change-your-directv-programming-package); Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (May 25, 2016); DishHome Page (http://www.dish.com) Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (May 12, 2016); Permanent Subcommittee on Investigations, Call with Counsel for Dish (June 10, 2016).

[251] Permanent Subcommittee on Investigations, Interview of Time Warner Cable Customer Service officials (Oct. 30, 2015); Permanent Subcommittee on Investigations, Interview of Charter Customer Service officials (Nov. 16, 2015); Email from Sarah Leggin, Counsel for Dish, to Subcommittee (June 7, 2016) ("De Escalation Portal"); Permanent Subcommittee on Investigations, Interview of Comcast Customer Service and Retention Agents (Jan. 8, 2016); DTV-PSI-0090497.

[252] Permanent Subcommittee on Investigations, Interview of Charter officials (Nov. 6, 2015); Permanent Subcommittee on Investigations, Interview of Comcast officials (Sep. 25, 2015); Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (May 25, 2016).

[253] Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (May 12, 2016).

Providers "Probe" Customers about Reasons for Canceling Service: Retention agents worked to gather information from customers about their use of the service and why they wanted to cancel. This helped inform the retention agents' later efforts to present an offer that would prevent the customer from disconnecting the service. For example, agents asked about the customers' favorite television shows,[255] what parts of the service they enjoyed,[256] why they want to leave,[257] and specifics about competitors' offers.[258] DirecTV was unique in that it had its retention agents practice asking up to five questions to get at the true root cause of a customer's desire to disconnect.[259]

The cable and satellite providers acknowledge that some customers may not want to discuss their reasoning, and simply want to disconnect the service—and they trained their agents on how to collect this information without the customers' being aware that they were doing so. For example, Dish training documents note that, "[u]sing an effective transition statement to lead into probing will prevent disconnecting customers from realizing you are working to save them,"[260] and "you will generally be able to get the customer to tell you about their service or vent by making it seem that this is a normal process."[261] As discussed in prior sections, some providers also trained their agents to pick up on potential selling points through casual conversations and background clues (for example, the sound of children playing, which could lead the agent to focus on family-friendly programming).[262]

While Time Warner Cable, Comcast, and Charter said that agents should ask the customers if they would be willing to answer questions,[263] some cable and satellite providers also trained their retention agents to continue the probing process after customers indicated they did not want to answer questions and simply wanted to disconnect their service. Time Warner Cable, DirecTV, and Dish had their agents practice

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[254] Permanent Subcommittee on Investigations, Interview of Time Warner Cable officials (Oct. 30, 2015); Permanent Subcommittee on Investigations, Interview of Dish Customer Service officials (May 12, 2016).

[255] CHTR-MVPD-PSI-00013098.

[256] TWC_00001114.

[257] COMCAST-PSI-00011302.

[258] DISH-PSI2015Nov-000421423.

[259] DTV-PSI-0089914. DirecTV characterized this process as working to get to "the root cause of a customer's problem so that it can be resolved." Email from William Clarkson, Counsel for DirecTV, to Subcommittee (June 20, 2016) ("DTV-PSI Minority Report Response Submission").

[260] DISH-PSI2015Nov-000425336.

[261] DISH-PSI2015Nov-000421425.

[262] COMCAST-PSI-00011120. Charter directed its agents to get a sense of the customer's "strengths," "weaknesses," and "emotions," among other things. CHTR-MVPD-PSI-00000363.

[263] TWC_00001081; COMCAST-PSI-00011220; CHTR-MVPD-PSI-00013091.

overcoming objections from customers, such as, "Please disconnect me today. I don't want to go into detail,"[264] "I don't want to answer any questions just disconnect my services,"[265] and "Just cancel the service."[266] A DirecTV official stated that an agent would be expected to continue asking questions after a customer indicated that he or she did not want to answer questions, and confirmed that conflict avoidance is not a valid reason for failing to make a save attempt.[267] Similarly, when training its retention agents to ask customers why the want to cancel service, Charter noted that agents should continue asking questions after a customer has indicated that their reason for disconnecting is "none of [the agent's] business." Charter's training document continued by asking the representative: "Do you think that a customer may actually tell you that it's none of your business?" and then noting that, "[t]his happens quite frequently."[268]

Cable companies provided written and verbal statements to the Subcommittee stating that their agents should comply with customers' requests when the customer indicated that they did not want to discuss their reasons for disconnecting. Specifically, Time Warner Cable officials told the Subcommittee that if a customer wants to disconnect and does not want to discuss why, the company will honor that request.[269] In written correspondence to the Subcommittee, Charter noted that if a customer did not want to discuss their reasons for disconnecting, the agent would honor that request.[270]

In a September 2015 interview with the Subcommittee, Comcast stated that even in situations in which a customer did not want to discuss his or her reasons for canceling, agents would be expected to attempt to save the customer if the problem was related to a solvable problem, such as a billing or repair issue.[271] Attorneys representing Comcast later said that Comcast officials did not state that "save attempts would be expected even when a customer did not wish to discuss their reasons for cancelling, and if they had done so, they would have been incorrect."[272] However, the Subcommittee found retention training documents advising that, "You may not always be successful the first time you ask why a customer is leaving. It's okay to respond to customer questions or issues and then try to ask a question again."[273]

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[264] DISH-PSI2015Nov-000437649. See other examples at: DISH-PSI2015Nov-000411080 -084.

[265] TWC_ 00001571.

[266] TWC_ 00001155; DTV-PSI-0075501.

[267] DTV-PSI-0074661; Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (May 25, 2016).

[268] CHTR-MVPD-PSI-00004843.

[269] Permanent Subcommittee on Investigations, Interview of Time Warner Cable Customer Service officials (Oct.30, 2015).

[270] Letter from Brian A. Benczkowski, Counsel for Charter, to Chairman Portman and Ranking Member McCaskill (Nov. 5, 2015).

[271] Permanent Subcommittee on Investigations, Interview of Comcast Customer Service officials (Sep. 25, 2015).

[272] Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 19, 2016).

[273] COMCAST-PSI-00011133.

Regardless, following interviews with the Subcommittee, Comcast informed the Subcommittee in February 2016 that Comcast updated its training and call evaluation guidance to note that agents would not be penalized in their call evaluations for complying when the customer indicated he or she did not want to discuss their reasons for disconnecting.[274] In its internal document explaining this change to retention agents, Comcast noted that some customers may not want to answer questions about why they want to disconnect services, and may see such inquiries "as a hassle or a barrier to disconnecting their service."[275] Comcast instructed its agents to "exercise [their] best judgement" on how to handle these customers.[276]

Providers Attempt to "Overcome Objections" From Customers Trying to Cancel Services. After collecting information from the consumer as to why they were disconnecting their service, retention agents were supposed to attempt to "save" the customer, which could include addressing a service problem, offering a different package, or providing a discounted price.

All of the cable and satellite providers trained their agents to attempt to persuade their customers not to cancel their service.[277] As written in a Time Warner Cable training document, "One of the most challenging things about being a retention agent is that to be successful, you have to do the opposite of what the customer is calling in for. If the customer is calling into cancel, your goal is to not cancel the services! And if the customer wants to lower the bill, you're going to try to avoid that, and perhaps even raise the bill!"[278] Time Warner Cable also tells its agents that "[m]any customers will say no, but it is up to you to change their mind."[279] DirecTV training documents note that "objections are simply needs that have not been met," and "[c]ustomer objections are really just opportunities to further educate them."[280] Dish states that "objections are not the end of the conversation."[281] ***See* Figure 14**.

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[274] COMCAST-PSI-00011586; Email from David Gringer, Counsel for Comcast, to Subcommittee (Feb. 16, 2016).

[275] COMCAST-PSI-00011586.

[276] COMCAST-PSI-00011585.

[277] CHTR-MVPD-PSI-00000562; CHTR-MVPD-PSI-00000462; COMCAST-PSI-00011221; DTV-PSI-0027456, 465; Dish- PSI2015Nov – 000421537.

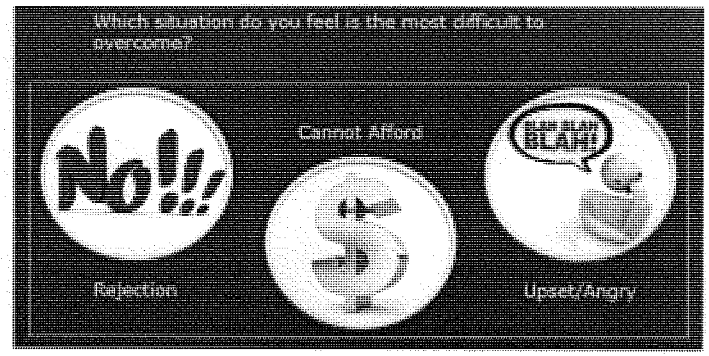
[278] TWC_ 00001391. Emphasis original.

[279] TWC_ 00001431.

[280] DTV-PSI-0027456; *see also* DTV-PSI-0089937; DTV-PSI-0090315.

[281] DISH-PSI2015Nov-000412826 –832.

FIGURE 14: DISH RETENTION TRAINING ON OVERCOMING OBJECTIONS[282]



Retention agents were expected to make repeated offers to save the customer. For example, some of the providers used retention call flowcharts that did not even include a step for complying with the customers' request to disconnect the service.[283] Several providers trained their agents that if the customer objected to a retention agent's first offer, the agent should start the process over again. For example, a Dish training document describes a scenario in which a customer has objected to the solution being offered by the agent. The training instructs the agent to again attempt to overcome the objection and move the call forward by assuming the customer agrees, and if the customer objects a second time, the agent should "start the process over."[284] Dish also notes that using a phrase that assumes the customer agrees "lessens the opportunity for customers to object" to the offer.[285] Similarly, Charter training documents noted that retention agents were supposed to make at least two save attempts and explain that if a customer was not in agreement, they should start the process over (Charter clarifies that, "[w]e will not need to start from square one, but we will need to overcome some hesitations before

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[282] DISH-PSI2015Nov-000438093, at slide 3.

[283] TWC_ 00001081; COMCAST-PSI-00011314 –315; CHTR-MVPD-PSI-00000337. Charter later updated its flowchart to include allowing the customer to disconnect. CHTR-MVPD-PSI-00013028.

[284] DISH-PSI2015Nov-000438097 – 100.

[285] DISH-PSI2015Nov-000421448.

moving to an agreement.")[286] In its training documents, Comcast instructed retention agents who were speaking with a customer that was undecided about whether to stay with Comcast to "make every possible effort to keep the customer on the line until a decision is made."[287]

Cable and satellite providers specifically trained their retention agents to undermine customers' reasons for disconnecting their service.[288] If a customer expressed interest in switching to a competing provider's service, DirecTV agents were trained to "create fear, uncertainty and doubt about switching."[289] Similarly, Comcast trained agents to ask questions that "plant a seed of doubt in the customer's mind."[290] If customers indicated the price is the reason they were disconnecting their service, retention agents are encouraged to uncover the "real" or underlying reason for why the customer wanted to cancel their service. Some providers placed an emphasis on shifting the conversation away from price,[291] with some instructing agents to avoid "trap" words, such as "basic," "deal," "discount," "cheaper," "lower," "rate increase," or a specific price.[292] Instead, retention agents encouraged customers to think of "value," or the presented benefits of the provider's service.[293] In some cases, this focus on the value of the service could lead to retention agents proposing that the customer add services, rather than drop them, so that customers may feel that a higher price is justified because of the additional services they were receiving.[294]

Retention agents were equipped with extensive information regarding the other providers and the customers themselves to assist the agents in overcoming customers' objections. Every provider maintained systems that allowed retention agents to compare the various promotional offers, packages, and prices of competitors, so that they can highlight their provider's benefits, identify hidden fees in competitors' offers, and conduct in-depth price comparisons based on how long the customer kept the

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[286] CHTR-MVPD-PSI-00012853; CHTR-MVPD-PSI-00004959.

[287] COMCAST-PSI-00011162.

[288] DirecTV and Comcast objected to the use of the word "undermine." DirecTV stated that "DirecTV trains its call center agents to work with the customer to determine the root cause of the service issue and then provide him or her with the optimal solution." Email from William Clarkson, Counsel for DirecTV, to Subcommittee (June 20, 2016) ("DTV-PSI Minority Report Response Submission"). Comcast stated that, "Comcast trains its representatives to discuss customer needs and address them." Letter from Reginald J. Brown, counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 18, 2016).

[289] DTV-PSI-0075433, at slide 6. This 2011 training document is no longer in use.

[290] COMCAST-PSI-00011130.

[291] TWC_00001433.

[292] TWC_ 00001483 –484; TWC_ 00001087, COMCAST-PSI-00011219.

[293] CHTR-MVPD-PSI-00004941 –942.

[294] CHTR-MVPD-PSI-00000562; TWC_ 00001079.

service.[295] Both Dish and DirecTV assigned customers various rankings based on their value to the company, and this could affect the amount of credits a retention agent could offer the customer, and in Dish's case, the routing of the customer's call.[296] In its training documents, Time Warner Cable provides two examples of customers, one with a $250 package and one with a $15 package to point out that, while they "would hate to see either customer go...it's easy to see that...Customer A will impact the bottom line more than Customer B."[297]

Retention agents were able to offer various credits, discounts, or special packages to the customer, many of which were not available to regular customer service agents.[298] In some cases, this led to situations in which customers had to aggressively negotiate to get the best deal the provider would offer. In the case of Time Warner Cable, agents could offer up to four different prices for a package, depending on how much a customer continued to push on price.[299] In interviews with Time Warner Cable retention agents, they indicated that if asked by a customer whether an offer was the best price available, the agents would respond that it was the best price available at that time, despite the fact that if the customer pushed again, a lower price would be offered.[300] Time Warner Cable officials said that the offer sheet helped agents maneuver through various package and price offers for customers.[301] Time Warner Cable retention agents said that it could take 10-15 minutes for a customer to negotiate to a lowest-tier offer.[302]

Other providers similarly trained their agents on negotiating with customers. Dish stated that agents should attempt to satisfy customers with "lesser" offers first, because "keeping higher offers in reserve will allow you to come back with a better offer."[303] DirecTV noted in its training that "more often than not, the customer will expect to negotiate. Don't lay all your cards on the table at once, because the

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[295] CHTR-MVPD-PSI-00000546; TWC_ 00001187; DISH-PSI2015Nov-000421452; COMCAST-PSI-00011240; DTV-PSI-0090473.

[296] DISH-PSI2015Nov-000419837; DISH-PSI2015Nov-000437188; DTV-PSI-0089753-54; DIRECTV DTV-PSI-0093560. Both providers said that agents should never discuss the customer's value ranking with them. DISH-PSI2015Nov-000419837; DTV-PSI-0089753-54. DirecTV officials stated that DirecTV planned to stop using the ranking system in February 2017. Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (May 25, 2016).

[297] TWC_ 00001393 .

[298] CHTR-MVPD-PSI-00004133 –134; CHTR-MVPD-PSI-00013139; DTV-PSI-0089924; DTV-PSI-0089930; DISH-PSI2015Nov-000421462.

[299] TWC_ 00001214; TWC_00001412; TWC_00001077 –078 .

[300] Permanent Subcommittee on Investigations, Interview of Time Warner Cable retention agents (Feb. 4, 2016).

[301] *Id.*

[302] *Id.*

[303] DISH-PSI2015Nov-000421467.

customer will think you are holding something back and he/she will be able to get more."[304] In addition, as noted below, some providers evaluated an agent's performance based on their ability to minimize revenue losses to the provider.[305]

Agent Incentives Encourage "Saving" and Selling. Cable and satellite providers evaluated and compensated retention agents based on their efforts to save customers. Specifically, these companies evaluated and scored an agent's retention calls based on a number of factors, including whether the agent asked questions about the customers' decision to disconnect or downgrade services, attempted to add or maintain existing services to the account, and attempted to overcome customers' objections.[306] As part of their internal review process, companies selected a sample of calls to evaluate. Charter would "auto fail" an agent if an agent failed to make a sales attempt.[307] Comcast's call evaluation guidance stated that agents who did not make an offer, attempt to overcome objections, or ask for a sale would be ranked as "below expectations" and receive no points for that portion of the call.[308] DirecTV's 2015 training specified, "Failure to make a valid save attempt on every call can result in progressive counseling, up to and including termination. Every ... call, regardless of the scenario, represents a save and/or opportunity to prevent a future 'shopper.'"[309]

In addition, Charter's retention training documents highlight the need to include upselling as part of the retention discussion. Specifically, Charter's training documents state that the retention process was designed to keep existing customers by "ensuring that we understand why the customer wants to leave and whether or not their service meets their service needs. That being said, we certainly want to continue to position products and services and up sell as necessary to ensure the customer has the best value for their money."[310]

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[304] DTV-PSI-0089936.

[305] CHTR-MVPD-PSI-00000642; COMCAST-PSI-00011327 – 331; TWC_ 00000729; TWC_ 00000716; DISH-PSI2015Nov-000470356, 358, 361.

[306] CHTR-MVPD-PSI-00012847 –450; COMCAST-PSI-00011821 –824.

[307] Auto-failing a call means that the agent receives a score of zero for the call, and their leadership is notified. CHTR-MVPD-PSI-00012762.

[308] COMCAST-PSI-00011570 – 571. As previously described, Comcast updated its guidance regarding how to handle retention calls in which the customer does not want to discuss their reasons for disconnecting. In its notice to agents, Comcast stated that they will not be evaluated on items such as making an offer, overcoming objections, or asking for the sale if the customer does not want to discuss their reasons for disconnecting. COMCAST-PSI-00011586.

[309] DTV-PSI-0075511.

[310] CHTR-MVPD-PSI-00000553.

Retention agents' compensation focused on their ability to save customers, upsell services, and retain revenue for the provider. Commissions were often based on the percentage of customers or revenue retained by the agents. [311]

Commissions can also be a significant portion of the retention agents' salary. Commissions range from approximately 25% to 40% of retention agents' salaries at Charter,[312] Comcast,[313] Time Warner Cable,[314] and DirecTV.[315] Agents and officials from the cable providers in our investigation confirmed that retention agents could access their performance metrics in real-time, creating an environment that further emphasized their need to retain customers.[316]

After a customer successfully canceled his or her services, cable and satellite providers could continue their efforts to retain the customer. For customers remaining in the service area, the providers continued their efforts to retain or win back the customer. For example, DirecTV had a program to assist recently disconnected customers in a way that made them more likely to return to DirecTV in the future.[317] Agents that were calling as part of the program to win back previous customers were instructed: "Do not let them off your line without setting up service."[318] Similarly, in 2013, Charter outlined a program that made seven contacts with a customer more than 11 months after they had disconnected service.[319] Cable providers even worked to ensure that customers moving out of a providers' service area remained cable customers. Specifically, all of the cable providers in this review directed consumers moving out of their

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[311] CHTR-MVPD-PSI-00000654; COMCAST-PSI-00011327 – 331; TWC_ 00000716; Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill (June 15, 2016); DTV-PSI-0075538 – 539; DISH-PSI2015Nov-000470356, 358, 361.

[312] Permanent Subcommittee on Investigations, Interview of Charter officials (Nov. 6, 2015).

[313] COMCAST-PSI-00011350; COMCAST-PSI-00011374. Permanent Subcommittee on Investigations, Interview of Comcast officials (Sep.25, 2015); Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 18, 2016).

[314] Permanent Subcommittee on Investigations, Interview of Time Warner Cable Officials, (Oct. 30, 2015).

[315] Permanent Subcommittee on Investigations, Interview of DirecTV Customer Service officials (May 25, 2016).

[316] Permanent Subcommittee on Investigations, Interview of Time Warner Cable Retention Agents, (Feb. 4, 2016); Permanent Subcommittee on Investigations, Interview of Comcast Retention Agent (Jan. 8, 2016); Permanent Subcommittee on Investigations, Interview of Charter Retention Agents (Jan. 11, 2016).

[317] DTV-PSI-0039716.

[318] DTV-PSI-0030695.

[319] CHTR-MVPD-PSI-00014891.

service area to a "movers hotline," that only informed consumers about their cable options in the new area (not options from satellite or telco competitors).[320]

Similar Tactics for Customers Who Want to Downgrade Service. Customers who were attempting to downgrade their service faced many of the same hurdles as those attempting to disconnect. Customers that wanted to downgrade usually had call and speak to an agent. If customers stated that they wanted to downgrade (lower the price or change the package) or drop a service from their account (for example, removing phone, television, internet service, or, in some cases, a premium package), they may have been transferred to retention to go through the same negotiation process as customers that attempted to disconnect their service. The exception was Dish, which allowed customers to downgrade packages online[321] and made a conscious decision to allow customers to downgrade premiums online, despite internal analyses that noted that this policy put it at a competitive disadvantage to DirecTV.[322] ***See* Figure 15**.

DirecTV officials confirmed that to remove premiums or cancel a line of business, DirecTV asked customers to call so that DirecTV can "understand their issues and craft tailored solutions to meet their individual needs."[323] DirecTV said that customers could downgrade packages online through self-service, so long as the packages did not include premium channels.[324] Time Warner Cable and Charter confirmed that customers could not downgrade online.[325] On June 15, 2016, Comcast informed the Subcommittee that customers in Comcast's central region can remove premium channels online and it was working on expanding self-service options to allow customers to downgrade to a less expensive tier and drop certain services.[326]

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[320] CHTR-MVPD-PSI-00000340; COMCAST-PSI-00011238; TWC-00011219.

[321] Permanent Subcommittee on Investigations, Call with Jeff Blum, Counsel for Dish Network (June 15, 2016).

[322] DISH-PSI2015Nov-000470289, at slide 17.

[323] Email from William Clarkson, Counsel for DirecTV, to Subcommittee (June 20, 2016) ("DTV-PSI Minority Report Response Submission").

[324] *Id.*

[325] Letter from Brian A. Benczkowski, Counsel for Charter, to Chairman Portman and Ranking Member McCaskill (June 14, 2016); Letter from Michael D. Bopp, Counsel for Time Warner Cable, to Chairman Portman and Ranking Member McCaskill (June 15, 2016).

[326] Letter from Reginald J. Brown to Chairman Portman and Ranking Member McCaskill (June 15, 2016).

Figure 15: Internal Dish Competitive Comparison[327]

Premiums: DTV vs. Dish

dish

Area	Comparison		Win/Lose vs. DIRECTV		Recommendations	Implications
	DISH	DirecTV	W	L		
ARPU focus by Customer Service & Self service Tools	• Dish allows customers to downgrade across tools, including tools where we have no ability to present an up-sell or retention offer	• DTV only allows a customer a downgrade path through avenues/tools where a retention or up-sell offer can be made • Very specialized agents		✓	• Only allow customers to downgrade through systems with the ability to present offers • Improve downgrade call routing/training • Add targeted saves/offers to web and STB (June)	• Improved ARPU and customer tenure • Improved agent performance and AHT

Area	Comparison		Win/Lose vs. DIRECTV		Recommendations	Implications
	DISH	DirecTV	W	L		
Upsell & Retention Tactics	• Dish is primarily focused on resolving customer issues • Agents try to "feel out" the customer to determine which offer or product to pitch	• DTV pushes upsell aggressively • DTV agents use a recommendation engine which prompts them to sell targeted products		✓	• Integrate recommendation functionality in agent tools	• Increased ARPU and retention • Maintain competitive parity • Improved CSR performance

Cable and satellite providers trained their retention agents to minimize downgrades and the associated loss of revenue by following a step-down process in which the offers made to the customer progressed in a stair step fashion, with the offer that had the greatest financial impact on the provider last on the list. Time Warner Cable's training documents noted that in the case of disconnection or downgrade requests, the best possible outcomes for the call were (in order): (1) to add services and generate more revenue off the account; (2) keep the same services or amount of recurring revenue on the account; and (3) lose as few services or revenue as possible.[328] ***See* Figure 16**. Time Warner Cable did this through an eight-step strategy that began with saving the customers with no change to their account and ended with the agent agreeing to drop a service from the account—with one of the steps in the middle including a proposal that additional service be added to the account.[329] Similarly, Charter provided a step-down offer strategy to its retention agents that started with increasing revenue by upselling or maintaining revenue by keeping the customer from changing their account, followed by offering free upgrades, then a retention offer that discounted the service, with the last step – only offered by Charter's retention agents –

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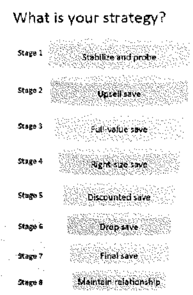
[327] DISH-PSI2015Nov-000470289. ARPU, or, Average Revenue Per User or Unit is an industry term referring the monthly recurring revenue per user or unit. AHT refers to the average handle time of the call.

[328] TWC_00001101.

[329] TWC_00001120.

proposing less expensive, limited-channel packages.[330] Charter's training also included a scenario in which retention agents suggested an offer that costed more money than a customer's existing package.[331] Dish's training documents emphasized that "agents should not just comply with customer requests to remove programming; this is bad for DISH and bad for the customer."[332] A DirecTV training noted that if a customer called to remove premium programming from their account, an agent may respond, "I'm shocked to hear you want to cancel those services," and "...most of our customers can't live without Starz, HBO, etc."[333] DirecTV also noted that agents should follow a "step down" process, in order to "retain as much DirecTV base package revenue as possible and to ensure the customer is getting all of his/her favorite programs/channels in the right-sized package."[334] An evaluation of a Comcast retention agent stated that the agent should continue with a top-down approach, as this saves revenue on all calls.[335]

FIGURE 16: TIME WARNER CABLE TOP-DOWN APPROACH[336]



[330] CHTR-MVPD-PSI-00013139; Permanent Subcommittee on Investigations, Interview of Charter Customer Service officials (May 31, 2016).

[331] CHTR-MVPD-PSI-00000562.

[332] DISH-PSI2015Nov-000412826.

[333] DTV-PSI-0090225.

[334] *Id.*

[335] COMCAST-PSI-00015820.

[336] TWC_00001120

Providers' Efforts to Address Customer Service

Cable and satellite providers have publicly acknowledged their customer service problems. In 2015, Michael Powell, the chair of the National Cable and Telecommunications Association, stated to the Washington Post that, "[c]ustomer service right now is completely unacceptable."[337] During a Senate hearing on the proposed Comcast-Time Warner Cable merger in 2014, Comcast Executive Vice President David Cohen and Executive Vice President and Chief Financial Officer Arthur Minson submitted joint testimony stating that they knew they had to continue to focus on improving the company's customer service.[338] During an earnings call in February 2015, Dish executives admitted that customer service problems had caused the company to lose subscribers.[339] Charter Chief Executive Officer Tom Rutledge stated that after the Time Warner Cable-Charter merger, his first priority was to improve service for his customers.[340] In 2012, the former Chief Executive Officer of DirecTV, Mike White, stated during an interview that it was common knowledge that the pay television industry has poorly rated customer service.[341]

In addition, it is clear from documents submitted by most of the companies that they took steps to assess customer satisfaction and address pain points.[342] Comcast and DirecTV in particular submitted documents that showed an in-depth analysis of problems affecting customers and proposed solutions for addressing them.[343]

Cable and satellite providers have also released advertisements and public plans to tell consumers that they know customer service is a major problem for consumers and developed plans to address these problems.

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[337] *Top cable lobbyist: 'Customer service right now is completely unacceptable'*, WASHINGTON POST (Feb. 13, 2015) (online at https://www.washingtonpost.com/news/the-switch/wp/2015/02/13/top-cable-lobbyist-customer-service-right-now-is-completely-unacceptable/).

[338] United States Senate Committee on the Judiciary, Testimony of David L. Cohen, Executive Vice President, Comcast Corporation, and Arthur T. Minson, Jr., Executive Vice President and Chief Financial Officer, Time Warner Cable Inc., at 24, Hearing on The Impact of the Comcast-Time Warner Cable Merger on American Consumers, 113th Cong. (Apr. 9, 2014), (online at https://www.judiciary.senate.gov/imo/media/doc/04-09-14CohenMinsonJointTestimony.pdf).

[339] *Dish Network (DISH) Q4 Results Improve But Subscriber Losses Increase*, BUSINESS FINANCE NEWS, (Feb. 23, 2015) (online at http://www.businessfinancenews.com/21691-dish-network-dish-q4-results-improve-but-subscriber-losses-increase/).

[340] *For TWC Customers, Charter CEO Says Main Goal is 'Improve Service'*, NY1 (May 18, 2016) (online at http://www.ny1.com/nyc/all-boroughs/news/2016/05/18/charter-ceo-tom-rutledge---we-want-to-improve-service--for-twc-customers.html).

[341] *Steering DirectTV Right: Q&A with Mike White*, MULTICHANNEL NEWS (Dec. 21, 2012) (online at http://www.multichannel.com/news/finance/steering-directv-right-qa-mike-white/271664).

[342] DTV-PSI-0051926, at slides 2, 14, and 16; DTV-PSI-0039672; CHTR-MVPD-PSI-00014760; COMCAST-PSI-00012176; COMCAST-PSI-00012196; TWC_00017588; Email from Sarah Leggin, Counsel for Dish, to Subcommittee (June 7, 2016) ("CSC Financial Review - November 2015", slides 2, 7); DTV-PSI-0093786; DTV-PSI-0093697; CHTR-MVPD-PSI-00014772.

[343] DTV-PSI-0051926, at slides 2, 14, and 16; DTV-PSI-0039672; COMCAST-PSI-00012176; COMCAST-PSI-00012196; DTV-PSI-0093786; DTV-PSI-0093697.

In 2015, Time Warner Cable placed an ad in The Plain Dealer that publicly acknowledged consumers' concerns with Time Warner Cable's product.[344] The ad used statements that declared, "It's about time," acknowledged its low customer satisfaction rating, and stated that it wants to get better.[345] Time Warner Cable has also recently released TV ads based on the slogan "Changing for Good," in which the ads claim that Time Warner Cable will work on improving its customer service efforts.[346] In 2016, Time Warner Cable launched a pilot of a tool that allowed customers to track their technician in real time.[347] Time Warner Cable also provided the Subcommittee examples of its efforts to hire additional customer service agents, launch an online care team, and provide one-hour arrival windows for technician and repair appointments in certain areas.[348]

In 2015, Comcast released a plan to improve its customer service efforts by hiring more customer service agents, taking steps to increase customers' understanding of their bills, creating technology to help its customers monitor technicians' time-of-arrival, and investing in a better billing system.[349] In addition, in documents provided to the Subcommittee, Comcast outlined $333 million in incremental spending it plans to invest in 2016 for initiatives to improve the customer experience, such as removing fees for customers who do not successfully self-install their service, bill redesigns, investing in critical network facilities, and improving technical visits, among other things.[350]

In 2014, Charter highlighted efforts to reduce outsourcing of customer service functions.[351] Charter outlined $84 million in capital expenses for customer-service related initiatives in 2015, including improving the tools available to customer service agents (for example, enabling them to see recent customer activity on a variety of company channels, such as email, chat, and the interactive voice

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[344] *Time Warner Cable addresses customer complaints in new ad campaign*, THE PLAIN DEALER (Oct. 4, 2015) (online at http://www.cleveland.com/metro/index.ssf/2015/10/time_warner_cable_addresses_cu.html).

[345] *Id.*

[346] *Time Warner Cable Admits Its Past Sins, and Vows to Be Better, in DDB's Comic Spots 'If we can change, then so can you!'* ADWEEK (May 3, 2016) (online at http://www.adweek.com/news/advertising-branding/time-warner-cable-apologizes-its-own-notorious-customer-service-first-campaign-ddb-171205).

[347] www.timewarnercable.com/content/twc/en/about-us/press/twc-customers-can-soon-get-a-glympse.html

[348] TWC_00000020, 022; 024; 028

[349] *Comcast's Plan to Dominate the Cable Industry Failed. So It Might Start Being Nice to Customers Instead*, SLATE (May 6, 2015) (online at http://www.slate.com/blogs/moneybox/2015/05/06/comcast_customer_service_turnaround_plan_show_up_on_time_after_failed_merger.html); COMCAST-PSI-00000103; COMCAST-PSI-00000112; COMCAST-PSI-00000120; COMCAST-PSI-00000094; COMCAST-PSI-00000103.

[350] COMCAST-PSI-00014236. Comcast spent over $2 billion annually on customer service. Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 18, 2016).

[351] CHTR-MVPD-PSI-00000092.

response phone system].[352] Charter also described initiatives to immediately confirm a customer is satisfied before a technician leaves the home, implement one-hour appointment windows, create a self-help channel that would provide customers with help videos, make billing statements transparent, establish a Frequently Asked Questions page, and start an initiative to enable customers to select a preferred method of communication (such as email, text, or set-top messaging).[353]

DirecTV outlined a variety of past and current initiatives totaling about $193 million in capital expenditures, including a simplified bill format intended to provide increased transparency with respect to the amount due, payment due date, changes since the prior bill, and when discounts may end.[354]

Dish also provided a list of various customer service initiatives being considered or planned for 2016, including improving sales disclosures, analyzing customers' pain points and what drives repeat calls, and providing courtesy calls.[355] In 2015, Dish announced the launch of an online appointment tool called MyTech that provides customers with the picture, name, and the location of a Dish technician on the way to their home.[356]

These efforts to improve customer service have had some impact. In its 2016 report on customer satisfaction with various industries, the American Customer Satisfaction Index (ACSI) noted that customer satisfaction with subscription television service increased 3.2%; however, it "remains among the lowest-ranked industries covered by the ACSI," scoring "just slightly above last place Internet service providers for customer satisfaction."[357] Specifically, while Comcast and Time Warner Cable saw significant gains in their 2016 scores, they remained below their industry average, and Charter's score declined.[358] Dish's and DirecTV's Scores remained steady.[359]

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[352] CHTR-MVPD-PSI-00040186.

[353] *Id.*

[354] DTV-PSI-0093563.

[355] Email from Sarah Leggin, Counsel for Dish, to Subcommittee (June 7, 2016) ("CX Project List – 06.03.16").

[356] http://about.dish.com/press-release/products-and-services/dish-personalizes-customer-service-experience-my-tech

[357] ACSI Telecommunications Report 2016, American Customer Satisfaction Index (June 1, 2016), at 1-2.

[358] DirecTV and Dish's scores remained steady. ACSI Telecommunications Report 2016, at 3.

[359] ACSI Telecommunications Report 2016, at 3.

HEARING EXHIBITS

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

JUNE 23, 2016

"CUSTOMER SERVICE AND BILLING PRACTICES IN THE CABLE AND SATELLITE TELEVISION INDUSTRY"

TABLE OF CONTENTS

EXHIBIT 1: SUBSCRIBER BASE AND MARKET CAPITALIZATION OF TV PROVIDERS

TV PROVIDERS	VIDEO SUBSCRIBERS	COMPANY VALUE	ESTIMATED % OF ALL HOUSEHOLDS	ESTIMATED % OF SUBSCRIBER HOUSEHOLDS
	CABLE COMPANIES			
COMCAST	22,400,000	$145.67B	16.72%	22.4%
Time Warner Cable	11,056,000	$59.66B	8.25%	11.06%
Charter Communications	4,445,000	$25.77B	3.32%	4.45%
	SATELLITE COMPANIES			
DIRECTV	20,112,000	$47.18B	15.01%	20.11%
dish Network	13,874,000	$23.758B	10.35%	13.87%

EXHIBIT 2: PRICE INCREASES FOR CHARTER'S BUNDLED SERVICE PACKAGES, AS OF 2014

	RATES		
SERVICES	YEAR 1	YEAR 2	STANDARD
	Charter Communications	Triple Play	
TV Select + Internet + Phone	$89.97	$109.97	$129.97
TV Silver + Internet + Phone	$109.97	$129.97	$149.97
TV Gold + Internet + Phone	$129.97	$149.97	$169.97
	Charter Communications	Single Play	
TV Select	$39.99	$59.99	$59.99
TV Silver	$59.99	$79.99	$79.99
TV Gold	$79.99	$99.99	$99.99

Source: CHTR-MVPD-PSI-00000770

EXHIBIT 3: EXAMPLE OF PROMOTIONAL PRICING ADVERTISEMENT WITH FINE PRINT

EXHIBIT 4: DISH PROMOTIONAL PACKAGE WITH ROLL TO PAY PREMIUMS

Fine Print: "Requires credit qualification. 24 month commitment with early termination fee and eAutopay
*After 3 mos, you will be billed $60/mo for HBO, Cinemax, Showtime, Starz and Dish Movie Pack unless you call to cancel."

EXHIBIT 5: HD, DVR, AND ARS FEES IN 2015

TV PROVIDERS	DVR	HD	ARS
	CABLE COMPANIES		
COMCAST	$19.95	$9.95 – $10.00	
Time Warner Cable	$12.99		
Charter Communications	$11.99		
	SATELLITE COMPANIES		
DIRECTV	$10.00	$10.00	$15.00 – $25.00
dish NETWORK	$10.00	$10.00	

Note: These fees do not include rental fees for equipment

Exhibit 6

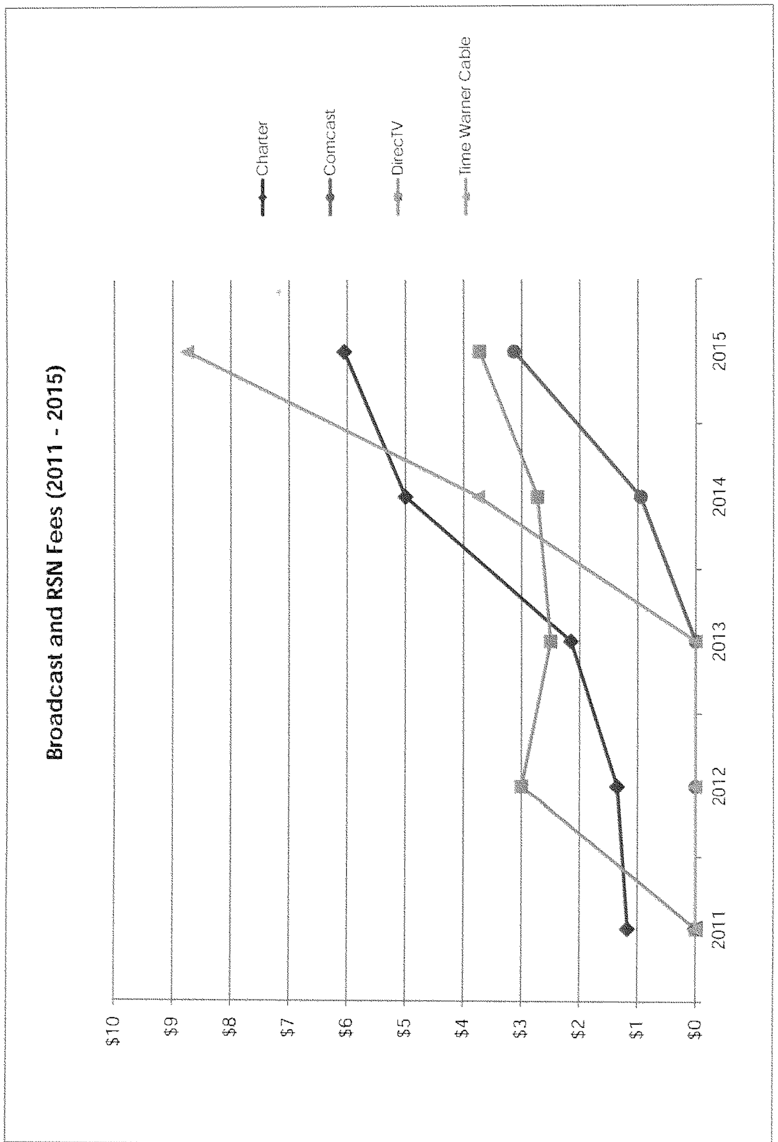
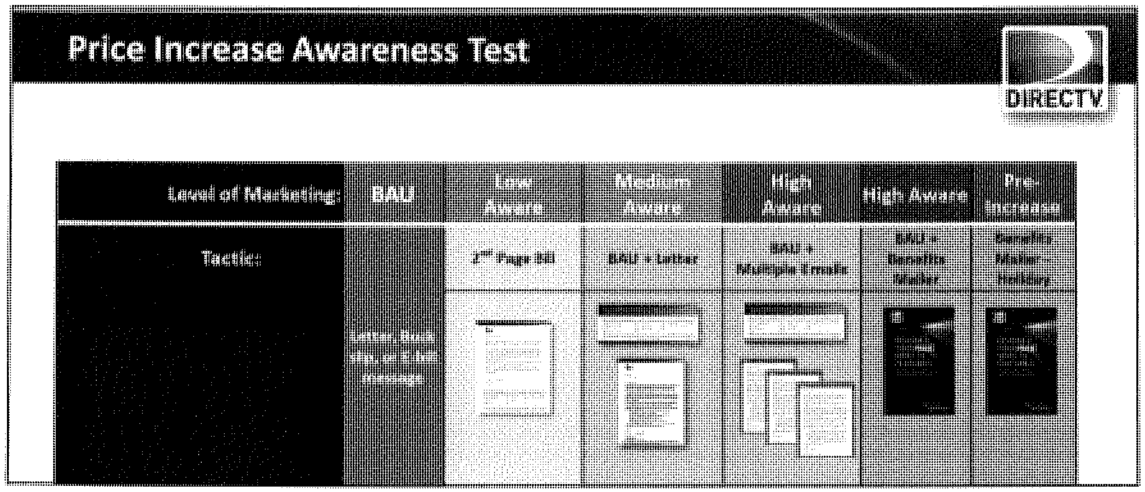

Broadcast and RSN Fees (2011 - 2015)
$10
$9
$8
$7
$6
$5
$4
$3
$2
$1
$0
2011
2012
2013
2014
2015
Charter
Comcast
DirecTV
Time Warner Cable

EXHIBIT 7: INTRODUCTION OF RSN AND BROADCAST FEES

TV PROVIDERS	2011	2012	2013	2014	2015	2016
CABLE COMPANIES						
COMCAST				✓	✓✔	✓✔
Time Warner Cable				✓	✓✔	✓✔
Charter Communications	✓	✓	✓	✓	✓	✓
SATELLITE COMPANIES						
DIRECTV		✔	✔	✔	✔	✔
dish Network						

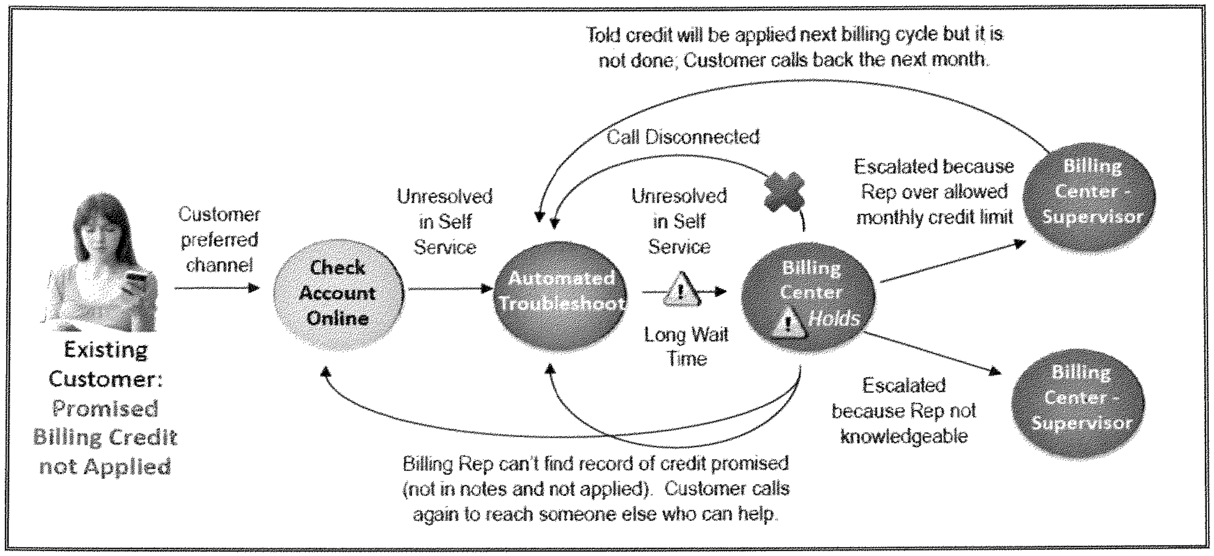
✔ = RSN FEE ✓ = RETRANSMISSION/BROADCAST FEE

Exhibit 9: DirecTV Price Awareness Testing



Source: DTV-PSI-00066616

EXHIBIT 10: "SAMPLE HIGH EFFORT RESOLUTION PATH"



Source: COMCAST-PSI-00012176, at slide 8

EXHIBIT 11: DIRECTV: DE-ESCALATING UPSET CUSTOMERS

Provide an Example	**Customer statement:** "You advertisements are completely false! I am paying WAY more than I was told I would be paying when I signed up. If DIRECTV keeps trying to rip me off I'm going to have to go back to cable."
- Bad example	**Dangerous Clarifying Question:** "Earlier, you mentioned that you were paying more than you expected. How much were you told you would have to pay?" In this example, the CSR is reminding the customer of the reason he or she was upset.
- Good example	**Information Seeking Clarifying Question:** "Earlier, you mentioned that you were paying more than you expected. Help me understand which programming and services are most important to you?" This response steers clear of cost and allows the customer to focus on WINs.

Source: DTV-PSI-0089526

EXHIBIT 12: TIME WARNER CABLE RETENTION TRAINING

The Conundrum

One of the most challenging things about being a retention agent is that to be successful, you have to do the opposite of what the customer is calling in for.

- If the customer is calling into cancel, your goal is to *not* cancel the services!
- And if the customer wants to lower the bill, you're going to try to avoid that, and perhaps even *raise* the bill!

Source: TWC 00001391

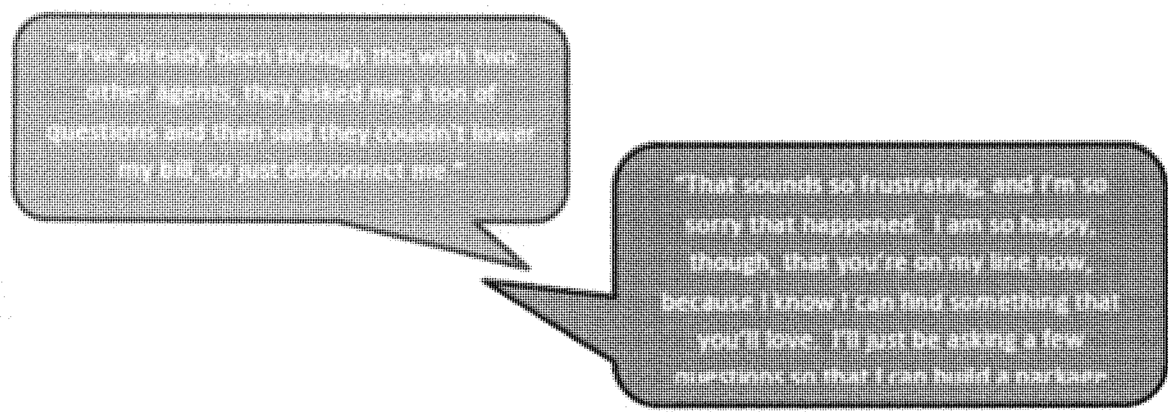
Exhibit 13: Self-Service Options

Online self-service options	Charter	Comcast[1]	Time Warner Cable	DirecTV	Dish
Sign up for service	Y	Y	Y	Y	Y
Upgrade service	Y	Y	Y	Y	Y
Downgrade service	N	N	N	Y[2]	Y
Cancel service	N	N	N	N	N

[1] Comcast said that it is working to expand self-serve options to allow for a broad range of downgrades, including removing services or changing to a less expensive package. Letter from Reginald J. Brown, Counsel for Comcast, to Chairman Portman and Ranking Member McCaskill (June 15, 2016).

[2] DirecTV said that customers could downgrade packages online through self-service, so long as the packages did not include premium channels. In addition, officials noted that customers who wanted to remove premiums or cancel a line of business had to call so that DirecTV could "understand their issues and craft tailored solutions to meet their individual needs." Email from William Clarkson, Counsel for DirecTV, to Subcommittee (June 20, 2016) ("DTV-PSI Minority Report Response Submission").

EXHIBIT 14: TIME WARNER CABLE SAMPLE TRANSITIONS FROM RETENTION TRAINING



Source: TWC 00001387

EXHIBIT 15: DISH RETENTION TRAINING ON OVERCOMING OBJECTIONS

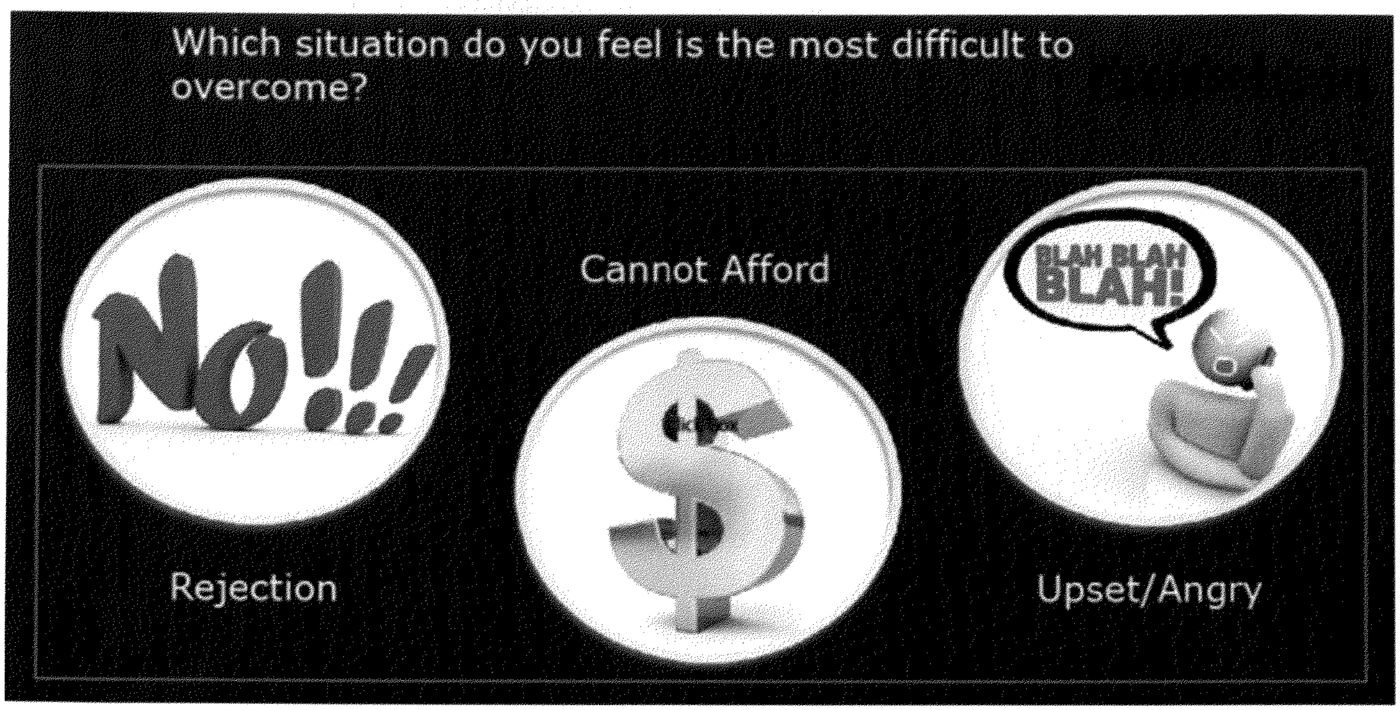


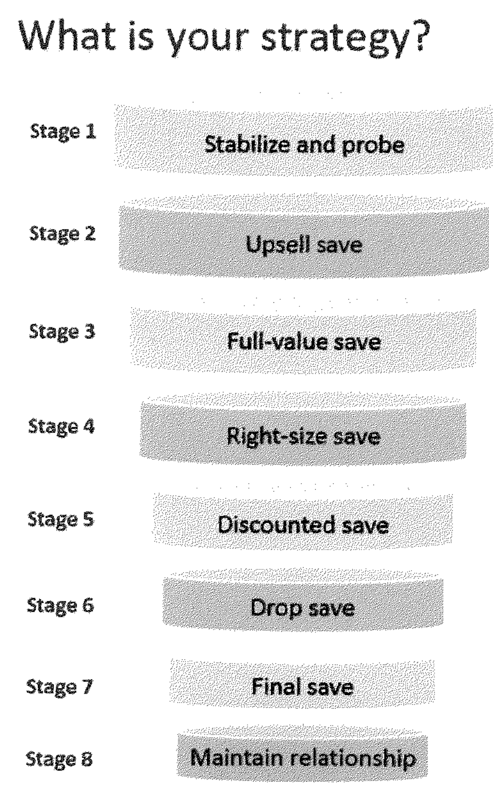
EXHIBIT 16: INTERNAL DISH COMPETITIVE COMPARISON

Premiums: DTV vs. Dish

Area	Comparison: DISH	Comparison: DirecTV	Win/Lose vs. DIRECTV: W	Win/Lose vs. DIRECTV: L	Recommendations	Implications
ARPU focus by Customer Service & Self service Tools	• Dish allows customers to downgrade across tools, including tools where we have no ability to present an up-sell or retention offer	• DTV only allows a customer a downgrade path through avenues/tools where a retention or up-sell offer can be made • Very specialized agents		✓	• Only allow customers to downgrade through systems with the ability to present offers • Improve downgrade call routing/training • Add targeted saves/offers to web and STB (June)	• Improved ARPU and customer tenure • Improved agent performance and AHT

Area	Comparison: DISH	Comparison: DirecTV	Win/Lose vs. DIRECTV: W	Win/Lose vs. DIRECTV: L	Recommendations	Implications
Upsell & Retention Tactics	• Dish is primarily focused on resolving customer issues • Agents try to "feel out" the customer to determine which offer or product to pitch	• DTV pushes upsell aggressively • DTV agents use a recommendation engine which prompts them to sell targeted products		✓	• Integrate recommendation functionality in agent tools	• Increased ARPU and retention • Maintain competitive parity • Improved CSR performance

EXHIBIT 17: TIME WARNER CABLE TOP-DOWN APPROACH



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August 15, 2016

BY EMAIL DELIVERY
ATTN: Kelsey Stroud, Chief Clerk

Confidential Treatment Requested

The Honorable Rob Portman
Chairman
Permanent Subcommittee on Investigations
Committee on Homeland Security and
Governmental Affairs
United States Senate
SR-199 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Claire McCaskill
Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security and
Governmental Affairs
United States Senate
SR-199 Russell Senate Office Building
Washington, D.C. 20510

Dear Chairman Portman and Ranking Member McCaskill,

On behalf of our client, DIRECTV, thank you for the opportunity to review and correct the draft transcript of Rasesh Patel's testimony at the June 23rd Subcommittee hearing entitled "Oversight of Customer Service in the Cable and Satellite Television Industry". As you requested, we are enclosing proposed corrections, marked in red ink on the transcript, on behalf of DIRECTV.

In addition to those typographical, grammatical, and clarifying changes, we are also proposing certain edits intended to address and clarify one statement by Mr. Patel wherein he unintentionally provided an incomplete answer. When asked to "address the practice of charging someone to remove an optional product from your bill", Mr. Patel responded:

> We don't – we don't charge for removal of any services other than warranty service and the reason that that's in place is, essentially to prevent gaming. A lot of times, you know, a consumer requires free services or a free upgrade, which is a part of our protection plan program, they can get an equipment upgrade every two year. What we were trying to prevent is a consumer getting that benefit and then the very next month removing the service. (p. 94, at lines 7 – 14).

The Honorable Rob Portman
The Honorable Claire McCaskill
August 15, 2016
Page 2

We note that earlier in the hearing (at pages 13-15), the discussion had focused on a charge for termination of a protection plan. Given that context, Mr. Patel addressed the protection plan charge, but unintentionally neglected to note that there is also a $10 fee charged to customers who add premium channels and then cancel them within a period of 30 days. DIRECTV assesses this fee to dissuade customers from subscribing to premium channels for a short amount of time in order to "binge" watch a particular program and then cancel the premium channel shortly thereafter. In the interests of accuracy, we ask that you consider including our proposed language on that point. Specifically, we request that line 7 through the phrase "to prevent gaming" on page 94 of the transcript be changed to read as follows:

> Mr. Patel. We do not charge for removal of any services except in certain cases involving the termination of premium channels or warranty services. We charge a $10 fee to customers who add premium channels and then terminate them within a period of 30 days, to avoid customers subscribing to premium cbannels for a short amount of time in order to "binge" watch a particular program and then cancel tbe premium channel shortly thereafter. With respect to termination of warranty services, there is also a charge that is in place essentially to prevent gaming.

Alternatively, we ask that this letter, which confirms Mr. Patel's intent and desire to correct his testimony, be included in the record.

Finally, we have also enclosed DIRECTV's written responses to the supplemental questions for the record submitted by Ranking Member McCaskill and Senator Baldwin. These responses, as well as the corrections to the transcript, reflect a good faith effort to be accurate and responsive within the requested time frame. As always, please do not hesitate to contact me at 202-626-2955 should you or your staff have any questions regarding these responses.

Sincerely

Eleanor Hill

Eleanor Hill

Attachments

NATOA®

Statement for the Record
Before the Permanent Subcommittee on Investigations
Customer Service and Billing Practices in the Cable and Satellite Television Industry
June 23, 2016

Thank you Chairman Portman, Ranking Member McCaskill, and committee members for initiating this important investigation and hearing. We appreciate the opportunity to provide this statement for the record.

The National Association of Telecommunications Officers and Advisors ("NATOA") is a national trade association founded in 1980 that promotes local government interests in communications policy. NATOA analyzes and addresses emerging issues such as broadband deployment and adoption; cable franchising; Public, Education and Government ("PEG") programming; and wireless facilities siting.

Many NATOA members represent Local Franchising Authorities ("LFAs") from across the country that are actively involved in monitoring and enforcing cable customer service standards. One issue that has risen to the top of consumer complaints has to do with increases to basic service tier rates and fees, along with increased costs for equipment and tech support. These steep increases to basic-related equipment and services impact those subscribers who are taking the most affordable tier of service and include those on a fixed income, or who may have older TV equipment in their homes, or who may be using limited basic cable to receive their broadcast and local PEG channels to keep them connected to their community.

One of our members reports that increases in a variety of equipment and installation fees (as well as unexplained fees that are purportedly for programming) will result in basic tier subscribers receiving a cost increase of nearly 50%.[1] Monthly CableCARD fees went from $.80 to $1.50 and limited basic one only converter fees increased from $1.00 to $2.50. Installation fees, on average, have nearly tripled in price, with some services over six times as costly (e.g., the price to "activate [a] pre-existing additional outlet" rose from $5.75 to $35.00). Other new installation charges are simply hard to believe. The cost to connect a DVD player, for example, is now $35.00—but only if it is connected at the time of an initial installation. After that, the price jumps to $70.00.

Consumer bills also have been complicated by the addition of new, unexplained fees for programming that was already included in their subscription packages. In 2016, many

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[1] The cable operator serving that member's jurisdiction previously offered a limited basic package that included about 30 video channels, Music Choice, one traditional box, one digital adapter, two remotes and all taxes and fees at a price of $14.64. Under increases that took effect over the past year, the same package of programming, equipment and services now costs an estimated $21.41—up 46% in a single year.

LFAs saw huge increases in the "broadcast TV" fee – from \$1.50 to \$4.50 – and "regional sports network" fee – from \$1.00 to \$3.00. These fees are not only confusing to consumers, but misleading, as well. Many subscribers choose specific programming bundles to lower their costs and they sign contracts to keep those costs in place. However, because these fees are outside the agreed upon bundle price, subscribers see their budget busted and locked into an agreement they cannot get out of.

Many LFAs could have questioned and reviewed many of these increased fees and costs under their existing basic rate regulatory authority. Unfortunately, just over one year ago, the FCC adopted regulations that stripped local governments of much of our remaining authority to protect our local residents from unfair cable billing and customer service practices. The Commission asserted that its actions were based on the development of so-called nationwide "effective competition" in the multichannel video programming distributor ("MVPD") market. We would have found it surprising if *consumers* considered the MVPD market competitive even a year ago, but since that time, concentration in the MVPD market has dramatically increased due to FCC approval of multiple MVPD mergers. Among other changes, one-fourth of Americans lost a choice of MVPD in the merger of AT&T-DIRECTV.

While true competition normally would result in operators competing for subscribers on price, service or other features, the opposite is true for most consumers today. With LFAs now virtually powerless to hold pay TV providers accountable, consumers no longer have a shield against year-after-year price increases and other anti-consumer actions by the pay TV industry. Local governments' role has been reduced to monitoring the real-world effects of the Commission's actions on consumers. Today, equipment fee increases and other harmful changes are on the rise and will continue unabated without reasonable intervention.

In light of these consumer harms, we encourage Congress to scrutinize the FCC's misguided changes to the "effective competition" process for purposes of cable rate regulation authority and encourage the FCC to re-establish the ability of local governments to protect our local consumers. The FCC should be expected to use any tools at its disposal to reduce MVPD industry concentration and prevent consumer billing and customer service abuses.

Post-Hearing Questions for the Record
Submitted to Comcast
From Senator Claire McCaskill

"Customer Service and Billing Practices in the Cable and Satellite Television Industry"
June 23, 2016

Q. How does Comcast inform customers who are enrolled in automatic bill pay about changes to their bill, such as price increases and overcharges?

Comcast customers receive notifications about upcoming price increases based on their selected statement delivery preference – print or ecobill. Automatic bill pay customers may choose to continue receiving paper bills through the mail, in which case they would receive notice of price increases through their print statement.

Comcast generally provides all of its customers, including automatic bill pay customers, with 30 days' notice ahead of the effective date of any change in its prices. *See* COMCAST-PSI-00011060. In certain markets where Local Franchise Authorities require greater notice (e.g., 60 or 90 days), Comcast complies with those regulations.

In the instance where Comcast overcharged an identifiable group of customers, it provided customers with specific notice of the overcharge, including to autopay customers. All customers, including autopay customers, also received notice of the overcharge through a message on their bill. Autopay customers who select the ecopay option still have access to their monthly bills, both online and through the "My Account" App.

Q: What efforts has Comcast made to understand whether customers are receiving adequate notice that their bill will change or that the cost of their package will increase?

Comcast has conducted research regarding customer satisfaction across multiple dimensions, including customer awareness of the conclusion of a duration of a promotion, which often results in a price increase to customers. Comcast's customer research suggests that its customers are aware when their promotional rate is about to expire. *See* COMCAST-PSI-00012639 at slide 8.

Comcast has every incentive to ensure that its customers are aware of upcoming bill changes and price increases. As the Subcommittee has observed, it is at these points that Comcast customers are most vulnerable to "churn." To attempt to address this issue, Comcast has taken many steps to better inform its customers about bill changes. For example, customers who supply their email addresses and cell phone numbers are provided with email and text alerts about upcoming changes to their bill. The My Account App also allows customers to check their bills at any time of the month. All customers would also receive information about a price change when they login to xfinity.com. And, any time customers make significant changes to the services on their account, they receive a confirmation of the change of service via email, as well as a tailored video bill explaining their new bill.

Comcast has also focused on ensuring that its customers are aware of the terms of any promotional rate that they receive. Comcast trains its personnel to emphasize at the point of sale the duration of a promotional rate, including informing customers what their rate will be at the conclusion of the promotional period. *See* COMCAST-PSI-00011557 and COMCAST-PSI-00011808 (requiring agents to review the total package price, including promotion roll-off date and pricing with the customer prior to concluding the call).

Q: An internal study conducted by Comcast found that 40% of customers who called with a billing problem were unable to resolve it on the first call. Is this statistic an accurate depiction of what current Comcast customers experience when they call with a problem? What effort is Comcast making to improve a customer's ability to have their problem resolved the first time they call?

The study referenced reflected only a sample of *dissatisfied* customers responding to a survey. It is not an accurate depiction of what all current Comcast customers experience when they call with a problem.

Comcast is focused on improving its customer service, and these efforts include improving its first-call resolution rate for customers who call with any issue. On the front end, Comcast has worked hard to minimize the need for customers to call with a problem in the first place. These efforts include tools such as the video bill and My Account App referenced above. Comcast also gives customers the opportunity to view and pay their bills through the interface on their X1 platform.

Comcast is in the midst of a multi-year plan to reinvent its customer experience and to create a culture where all Comcast employees are focused on exceeding its customers' expectations so that when people do call with a problem, customers are able to resolve that problem. The core elements of Comcast's overall plan include:

- Creating more than 5,500 U.S.-based customer service jobs over the next three years;
- A goal to be on time for customer appointments *all the time* or we automatically credit a customer;
- Major investments in technology and training to give employees the tools they need to deliver excellent service;
- The renovation and opening of hundreds of retail stores across the country; and
- The development of new customer-facing technologies that will enable customers to interact with us how and when they wish.

Several elements of the plan address Comcast's ability to address customer concerns the first time. For example, Comcast is currently rolling out a new, cloud-based platform that gives employees a better, holistic view of the customer's account history so they have everything they need at their fingertips to help customers faster and prevent the need to start over each time a customer speaks to a different agent. Comcast is also enabling self-service whenever possible to give customers the same tools our agents have.

Comcast has also overhauled its training by rolling out the Net Promoter System ("NPS"), which is the gold standard in consumer-facing industries. NPS is based on one simple question: how likely is a customer to recommend Comcast services? Call center personnel get real-time feedback from the system, and managers are able to quickly learn about potential issues. So far, we've seen quick and meaningful improvements in customer satisfaction where NPS is being used, and we are continuing its roll out in all of our footprint. In Portland, Oregon, we've seen customer satisfaction improve by 21 points and employee satisfaction improve by 40 points since the NPS program's inception.

These reforms are already yielding results. Comcast's customer service satisfaction numbers are up 11.5% since 2014 and our customer dissatisfaction numbers are down 20% in the same time period. Comcast has experienced a 35% reduction in customer calls to agents since the end of 2013, and that reduction was driven by a 27% reduction in the number of customers who need to call back.

Q. Has Comcast changed its billing notification practices related to price increases? If so, please describe the changes that have been made and when these changes were implemented.

Comcast has undertaken a number of initiatives over the last five years to make its customers' bills as accessible and as easy to understand as possible. With regard to price increases, notice is currently provided using monthly bill inserts and bill messages, online, and via email and text message. Customers can also learn of the change through the "My Account" App.

Q. Please provide a list of all promotional offers available between June 1, 2016 and July 31, 2016 that are "roll to pay" or that require customers to affirmatively cancel when that promotion ends or face being charged for that programming or service on their next bill. For those promotions that are "roll to pay," please indicate:

1. **Whether customers can cancel the programming or service online or whether they must cancel over the phone.**
2. **Why Comcast decided to make that promotion "roll to pay" instead of "roll to drop."**

Please see Appendix A for a list of promotional offers available between June 1, 2016 and July 31, 2016. Comcast customers may cancel promotional offers over the phone, in Comcast retail stores, and at UPS stores across America. As noted in previous submissions, Comcast is currently working to develop its capabilities to facilitate the initiation of the cancellation process online. Through Comcast's "Project EASE," Comcast customers can go online to request an immediate call to cancel their service and/or prepopulate a form with most of the necessary information to obviate any need for all but the most basic of follow-up phone calls. Comcast subsequently calls the customer at a requested time to verify the request and process the cancellation. The brief live verification is required, however, in order to protect customers' personally identifiable information and to prevent fraudulent activity. Also, Comcast is evaluating whether it can further facilitate online cancellation for some services.

Comcast continues to offer promotional rates for specified periods of time in order to keep up in the highly competitive marketplace and to provide customers with the best possible value proposition. Comcast trains its representatives to emphasize at the point of sale the duration of a promotional rate, including informing customers what their rate will be at the conclusion of the promotional period. *See* COMCAST-PSI-00011557 and COMCAST-PSI-00011808 (requiring agents to review the total package price, including promotion roll-off date and pricing with the customer prior to concluding the call). For any promotional rate that Comcast offers, sales and customer care agents are required to state the duration of the promotion. For term agreements, Comcast has a formal process where the terms of the promotional rate, including its duration, are disclosed, and the customer's acceptance thereof is captured through a verification process where the customer affirmatively consents to the terms of the agreement. Customer bills also indicate when a customer's rate is on a promotion. As noted above, Comcast's customer research suggests that its customers are aware when their promotional rate is about to expire. *See* COMCAST-PSI-00012639 at slide 8.

Q. Are front line agents allowed to downgrade or cancel a customer's service if they request it?

Comcast's front-line retention representatives are permitted to downgrade a customer's service upon request.

Q: Are customer service representatives penalized if they fail to ask why a customer is changing or cancelling their service?

Customer requests to disconnect or downgrade service are generally handled by Comcast's retention representatives. These representatives are not required to make a save attempt when a customer calls seeking to change or cancel their service. And to earn a rating of "meets expectations," retention representatives must first ask "permission to ask questions" before even beginning a save attempt. *See* COMCAST-PSI-00011564.

Comcast does believe that it is important to try to understand why its customers are considering leaving Comcast. In many instances, a customer who calls seeking to discontinue service may not have a complete understanding of the full range of available options, or may have experienced an issue that a retention representative can help solve. That is why a majority of customers who speak to a retention representative do not end up cancelling their service. Comcast retention representatives are trained and evaluated on their ability to deliver a world-class customer experience.

Q. One suggestion that has been made by consumer advocates is to have a cable or satellite TV subscriber "bill of rights," much like the Department of Transportation's passenger protections for airline passengers, where consumers are guaranteed a certain level of customer service. Given that Comcast has declared its commitment to a high standard of customer service, would Comcast oppose such a "bill of rights"?

Comcast wants every customer to have an exceptional experience—from the moment they order a new service, to installation, to the way Comcast communicates with them and bills them for service, to how Comcast responds to issues. As Mr. Karinshak noted in his testimony, Comcast customer service already has its own internal guiding principles that it uses as part of its customer service revamp, which include:

- Investing in Training and Technology for all Employees.
- Giving All Customers Access to Products and Services that Work Best For Them.
- Ensuring a Fair Price for All of Our Customers.
- Being on Time and Minimizing Wait Time, All the Time.
- Giving Customers Control over Their Comcast Experience by Enabling Self Service Whenever Possible.
- Keeping Bills Simple and Transparent.
- Reassessing Policies and Fees That Frustrate Customers.
- Crediting Customers Proactively for Outages and Billing Errors.
- Allowing Customers to End Their Service Without a Hassle.
- Measuring Our Employees on Customer Satisfaction.

Mr. Karinshak testified that he considers these guidelines akin to a "customer bill of rights." Comcast cannot commit to supporting an externally-mandated customer bill of rights without reviewing the substance of the proposal but will commit to conducting such a review in good faith and working with the Subcommittee on policy concerns that relate to customer service.

Q: What steps is Comcast taking to more effectively communicate how fees are charged on a customer's bill?

As noted, Comcast has launched its video bill, which is a short, personalized video that explains everything customers need to know about their bill, including information about all fees and regulatory charges. *See* COMCAST-PSI-00000103. New customers and customers changing their service package also receive a detailed e-mail summary of their new bill, including all fees and other charges.

In an effort to provide further transparency to customers regarding its billing process, Comcast also maintains a customer-facing website designed to help customers understand their monthly bill by providing a guide to its different sections. The website also contains a section describing the government taxes, fees, and surcharges on customers' bills. The website can be accessed at http://customer.xfinity.com/help-and-support/billing/understand-your-bill/.

Comcast is also in the final stages of working on a revamp to its customer bills that it hopes will further clarify to customers how fees are charged.

Q. Does Comcast plan to make any changes to clearly present the distinction between discretionary surcharges and government-mandated taxes or regulatory fees on a customer's bill? If so, what changes will be made and when will they be implemented?

As Mr. Karinshak noted in his testimony, Comcast currently places discretionary surcharges in its "Other Charges & Credits" section of the bill, which is separate from the "Taxes, Surcharges, & Fees" section dedicated to government-mandated taxes or regulatory fees. *See, e.g.*, COMCAST-PSI-00011087. This is a clear distinction between those charges that are discretionary and those that are pursuant to taxes and regulatory assessments.

Q. Comcast advertisements do not include the post-promotional price that customer's pay when their first or second year of service ends or their promotion rolls off, unless it is placed in the fine print. Does Comcast plan to include this information in advertisements in the future?

Comcast advertisements state that after a promotional period its regular rates in the market will apply. Comcast cannot know with certainty what it will be charging in a particular market years in advance and therefore cannot include the price that a customer will pay at the conclusion of their promotion.

Appendix A

Comcast Q2 2016 Promotional Pricing

Division	Bundle	Year 1 Price	Year 2 Price
West	Performance 25 + Saver	$49.99 (2-year contract) $59.99 (1-year contract)	$49.99 (2-year contract) $69.95
	Performance 25 + UL	$59.99 (2-year contract) $69.99 (1-year contract)	$59.99 (2-year contract) $79.95
	Starter SPDC	$89.99 (no contract) $79.99 (contract) $69.99 (contract w/sale)	$109.99 (no contract) $99.99 (contract) $89.99 (contract w/sale)
	Preferred SPDP	$99.99 (no contract) $89.99 (contract)	$119.99 (no contract) $109.99 (contract)
	Starter TP	$109.99 (no contract) $99.99 (contract) $89.99 (contract sale)	$134.99 (no contract) $124.99 (contract) $114.99 (contract sale)
	Preferred TP	$119.99 (no contract) $109.99 (contract)	$144.99 (no contract) $134.99 (contract)
	HD Preferred TP	$129.99 (no contract) $119.99 (2-year contract)	$154.99 (no contract) $119.99 (2-year contract)
	HD Preferred Plus TP	$149.99 (no contract) $139.99 (2-year contract)	$174.99 (no contract) $139.99 (2-year contract)
	HD Premier TP	$169.99 (no contract) $159.99 (2-year contract)	$194.99 (no contract) $159.99 (2-year contract)
	HD Complete TP	$209.99 (no contract) $199.99 (2-year contract)	$234.99 (no contract) $199.99 (2-year contract)
Central	Starter DP	$99.99 (no contract) $89.99 (2-year contract)	$109.99 (no contract) $89.99 (contract)
	Preferred DP	$119.99 (no contract) $109.99 (2-year contract)	$129.99 (no contract) $109.99 (2-year contract)
	Preferred Plus DP	$139.99 (no contract) $129.99 (2-year contract)	$149.99 (no contract) $129.99 (2-year contract)
	Premier DP	$159.99 (no contract) $149.99 (2-year contract)	$169.99 (no contract) $149.99 (2-year contract)
	Starter TP	$109.99 (no contract) $99.99 (2-year contract)	$129.99 (no contract) $99.99 (2-year contract)
	HD Preferred TP	$129.99 (no contract) $119.99 (2-year contract)	$149.99 (no contract) $119.99 (2-year contract)

Division	Bundle	Year 1 Price	Year 2 Price
	HD Preferred Plus TP	$149.99 (no contract) $139.99 (2-year contract)	$169.99 (no contract) $139.99 (2-year contract)
	HD Premier TP	$169.99 (no contract) $159.99 (2-year contract)	$189.99 (no contract) $159.99 (2-year contract)
North	Starter TV + Performance HSD	$89.99 (no contract) $79.99 (contract)	$109.99 (no contract) $99.99 (contract)
	Preferred + Pro + SHO SPDP	$99.99 (no contract) $89.99 (contract)	$119.99 (no contract) $109.99 (contract)
	Starter TP	$99.99(no contract) $89.99 (contract)	$124.99 (no contract) $114.99 (contract)
	Preferred TP	$119.99 (no contract) $109.99 (contract)	$144.99 (no contract) $134.99 (contract)
	HD Preferred TP	$129.99 (no contract) $119.99 (contract)	$154.99 (no contract) $144.99 (contract)
	HD Preferred Plus TP	$149.99 (no contract) $139.99 (contract)	$174.99 (no contract) $164.99 (contract)
	HD Premier TP	$159.99 (no contract) $159.99 (2-year contract)	$184.99 (no contract) $159.99 (2-year contract)
	HD Complete TP	$199.99 (no contract) $199.99 (2-year contract)	$224.99 (no contract) $199.99 (2-year contract)
Vesta	Performance Pro	$39.99 (2-year contract)	$39.99 (2-year contract)
	Blast Starter/2475 DP	$79.99 (2-year contract) $99.99 (2-year contract + 250M)	$79.99 (2-year contract) $99.99 (2-year contract + 250M)
	Extreme Premier/2725 DP	$109.99 (2-year contract) $129.99 (2-year contract + 250M)	$109.99 (2-year contract) $129.99 (2-year contract + 250M)
	Blast Starter/3475 DP	$99.99 (2-year contract) $119.99 (2-year contract + 250M)	$99.99 (2-year contract) $119.99 (2-year contract + 250M)
	Extreme Premier/3725 DP	$129.99 (2-year contract) $149.99 (2-year contract + 250M)	$129.99 (2-year contract) $149.99 (2-year contract + 250M)
New Mexico	Dev/200 Latino + Perf Starter DP	$49.99 (no contract)	$69.90 (no contract)
	Dev/200 Latino + Perf Starter DP + Saver TP	$69.99 (no contract)	$89.90 (no contract)
Frontier	Performance 25	$19.99 (2-year contract)	$19.99 (2-year contract)
	Performance Pro	$15.00 (2-year contract)	$15.00 (2-year contract)
	Blast Pro	$30.00 (2-year contract)	$30.00 (2-year contract)

Division	Bundle	Year 1 Price	Year 2 Price
Zenith	Extreme 250M	$50.00 (2-year contract)	$50.00 (2-year contract)
	5M	$9.95	$9.95
	Extreme 250M DP	$70.00 (3-year contract)	$70.00 (3-year contract)
Big South/ Florida	Starter Video	$39.99 (2-year contract)	$39.99 (2-year contract)
	Performance	$29.99 (1-year contract w/ecobill)	
	Blast	$39.99 (1-year contract w/ecobill)	
	Internet Plus	$39.99 (1-year contract w/ecobill)	
	Internet Plus w/Blast choice of SHO or HBO	$49.99 (1-year contract w/ecobill)	$29.95
	Starter Blast SPDP	$69.99 (2-year contract)	$69.99 (2-year contract)
	Preferred Blast SPDP	$79.99 (2-year contract)	$79.99 (2-year contract)
	Starter TP	$89.00 (2-year contract)	$89.00 (2-year contract)
	HD Preferred TP	$99.00 (2-year contract)	$99.00 (2-year contract)

Comcast Q3 2016 Promotional Pricing

Division	Bundle	Year 1 Price	Year 2 Price
West	Performance 25 + Saver	$49.99 (2-year contract) $59.99 (1-year contract)	$49.99 (2-year contract) $69.95
	Performance 25 + UL	$59.99 (2-year contract) $69.99 (1-year contract)	$59.99 (2-year contract) $79.95
	Starter SPDC	$89.99 (no contract) $79.99 (contract) $69.99 (contract w/sale)	$109.99 (no contract) $99.99 (contract) $89.99 (contract w/sale)
	Preferred SPDP	$99.99 (no contract) $89.99 (contract)	$119.99 (no contract) $109.99 (contract)
	Starter TP	$109.99 (no contract) $99.99 (contract) $89.99 (contract sale)	$134.99 (no contract) $124.99 (contract) $114.99 (contract sale)
	Preferred TP	$119.99 (no contract) $109.99 (contract)	$144.99 (no contract) $134.99 (contract)
	HD Preferred TP	$129.99 (no contract) $119.99 (2-year contract)	$154.99 (no contract) $119.99 (2-year contract)

Division	Bundle	Year 1 Price	Year 2 Price
	HD Preferred Plus TP	$149.99 (no contract) $139.99 (2-year contract)	$174.99 (no contract) $139.99 (2-year contract)
	HD Premier TP	$169.99 (no contract) $159.99 (2-year contract)	$194.99 (no contract) $159.99 (2-year contract)
	HD Complete TP	$209.99 (no contract) $199.99 (2-year contract)	$234.99 (no contract) $199.99 (2-year contract)
Central	Starter DP	$99.99 (no contract) $89.99 (2-year contract)	$109.99 (no contract) $89.99 (contract)
	Preferred DP	$119.99 (no contract) $109.99 (2-year contract)	$129.99 (no contract) $109.99 (2-year contract)
	Preferred Plus DP	$139.99 (no contract) $129.99 (2-year contract)	$149.99 (no contract) $129.99 (2-year contract)
	Premier DP	$159.99 (no contract) $149.99 (2-year contract)	$169.99 (no contract) $149.99 (2-year contract)
	Starter TP	$109.99 (no contract) $99.99 (2-year contract)	$129.99 (no contract) $99.99 (2-year contract)
	HD Preferred TP	$129.99 (no contract) $119.99 (2-year contract)	$149.99 (no contract) $119.99 (2-year contract)
	HD Preferred Plus TP	$149.99 (no contract) $139.99 (2-year contract)	$169.99 (no contract) $139.99 (2-year contract)
	HD Premier TP	$169.99 (no contract) $159.99 (2-year contract)	$189.99 (no contract) $159.99 (2-year contract)
North	Starter TV + Performance HSD	$89.99 (no contract) $79.99 (contract)	$109.99 (no contract) $99.99 (contract)
	Preferred + Pro + SHO SPDP	$99.99 (no contract) $89.99 (contract)	$119.99 (no contract) $109.99 (contract)
	Starter TP	$99.99(no contract) $89.99 (contract)	$124.99 (no contract) $114.99 (contract)
	Preferred TP	$119.99 (no contract) $109.99 (contract)	$144.99 (no contract) $134.99 (contract)
	HD Preferred TP	$129.99 (no contract) $119.99 (contract)	$154.99 (no contract) $144.99 (contract)
	HD Preferred Plus TP	$149.99 (no contract) $139.99 (contract)	$174.99 (no contract) $164.99 (contract)
	HD Premier TP	$169.99 (no contract) $159.99 (2-year contract)	$194.99 (no contract) $159.99 (2-year contract)

Division	Bundle	Year 1 Price	Year 2 Price
	HD Complete TP	$199.99 (no contract) $199.99 (2-year contract)	$224.99 (no contract) $199.99 (2-year contract)
Vesta	Performance Pro	$39.99 (2-year contract)	$39.99 (2-year contract)
	Blast Starter/2475 DP	$79.99 (2-year contract) $99.99 (2-year contract + 250M)	$79.99 (2-year contract) $99.99 (2-year contract + 250M)
	Extreme Premier/2725 DP	$109.99 (2-year contract) $129.99 (2-year contract + 250M)	$109.99 (2-year contract) $129.99 (2-year contract + 250M)
	Blast Starter/3475 DP	$99.99 (2-year contract) $119.99 (2-year contract + 250M)	$99.99 (2-year contract) $119.99 (2-year contract + 250M)
	Extreme Premier/3725 DP	$129.99 (2-year contract) $149.99 (2-year contract + 250M)	$129.99 (2-year contract) $149.99 (2-year contract + 250M)
New Mexico	Dev/200 Latino + Perf Starter DP	$49.99 (no contract)	$69.90 (no contract)
	Dev/200 Latino + Perf Starter DP + Saver TP	$69.99 (no contract)	$89.90 (no contract)
Frontier	Performance 25	$19.99 (2-year contract)	$19.99 (2-year contract)
	Performance Pro	$15.00 (2-year contract)	$15.00 (2-year contract)
	Blast Pro	$30.00 (2-year contract)	$30.00 (2-year contract)
Zenith	Extreme 250M	$50.00 (2-year contract)	$50.00 (2-year contract)
	5M	$9.95	$9.95
	Extreme 250M DP	$70.00 (3-year contract)	$70.00 (3-year contract)
Big South/ Florida	Starter Video	$39.99 (2-year contract)	$39.99 (2-year contract)
	Performance	$29.99 (1-year contract w/ecobill)	
	Blast	$39.99 (1-year contract w/ecobill)	
	Internet Plus	$39.99 (1-year contract w/ecobill)	
	Internet Plus w/Blast choice of SHO or HBO	$49.99 (1-year contract w/ecobill)	$29.95
	Starter Blast SPDP	$69.99 (2-year contract)	$69.99 (2-year contract)
	Preferred Blast SPDP	$79.99 (2-year contract)	$79.99 (2-year contract)
	Starter TP	$89.00 (2-year contract)	$89.00 (2-year contract)
	HD Preferred TP	$99.00 (2-year contract)	$99.00 (2-year contract)

Post-Hearing Questions for the Record
Submitted to Tom Karinshak, Senior Vice President, Customer Service, Comcast
From Sen. Tammy Baldwin

"Permanent Subcommittee on Investigations: Customer Service and Billing Practices in the Cable and Satellite Television Industry"

June 23, 2016

1. **I understand the need for Comcast to evolve and target the millennial audience who may prefer to only purchase internet service and stream shows online rather than purchasing cable and internet services bundled together. However, as you are unbundling internet and providing streaming services for them, it is also imperative that you unbundle services to address the needs of older populations. Specifically, I hear from constituents who don't want to purchase internet in order to get a better deal on TV and phone when they don't even own a computer. Additionally, online account management services are fruitless if a customer doesn't own a computer.**

   What is Comcast doing specifically to address the needs of older populations to ensure they have the service they desire and have customer care that actually helps address their concerns?

   Comcast greatly values its senior customers and is committed to providing them with choices that they find appealing. Comcast trains its representatives to match customers with the best possible set of products and services that will meet their needs and their budget. For senior citizens who would prefer not to receive internet services, Comcast offers standalone TV and phone services, including lower priced plans, as well as TV/phone bundles that offer customers value without purchasing internet access.

   Comcast also offers a variety of other programs designed especially for seniors. For example, Comcast has introduced a Seasonal Convenience Plan for part-time residents who choose to spend the winter months away from home; the program allows customers to put services on hold from 90 to 270 days with no reconnection charge and no service call upon return.[1] Comcast is also piloting an extension of its "Internet Essentials" program, which has connected more than 2 million low-income senior citizens to online access at home.[2]

2. **I often hear from Wisconsinites living in rural areas about the challenges they face in accessing a range of telecommunications services. As you know, broadband Internet access is becoming a necessity for conducting business, accessing critical services like telemedicine and government benefits programs**

[1] https://comcastseasonal.com/.
[2] http://corporate.comcast.com/news-information/news-feed/comcast-extends-internet-essentials-to-low-income-senior-citizens-in-san-francisco.

and simply staying informed. I also understand that there are significant costs involved in bringing these services to less-populated areas and I have strongly supported government efforts to facilitate that infrastructure development.

What is Comcast doing to ensure its products and services are available to individuals in rural areas across this country – and at comparable cost and quality to that provided to urban and suburban customers?

Comcast has been an industry leader in expanding broadband access to the rural communities in its service footprint. For example, in one state, Comcast has already built out its broadband network in areas with a population density as low as 15 homes per mile in rural communities and, in conjunction with local franchise authorities, has extended its plant to serve additional homes in low-density rural areas.

Comcast's broadband network continues to grow. In 2013, Comcast expanded its existing broadband network by 2,381 miles.[3] In addition Comcast extended its broadband plant to 296,744 additional homes in 2013, bringing the cumulative number of additional homes passed to 718,511.[4]

Further, in connection with the 2011 FCC NBCUniversal Transaction Order regarding Comcast's joint venture with NBC, Comcast was required to upgrade internet service for at least six rural communities in 2011.[5] Comcast exceeded this requirement, upgrading its infrastructure to provide broadband internet service to 33 rural communities.[6] All of these rural communities now have infrastructure that can provide access to all Xfinity internet speed tiers, in addition to video service.[7]

3. **I have long been a supporter of preserving consumers' access to critical local programming – from town and county government meetings, to school programs, to locally-produced cultural content – through the availability of public, educational and government access, or PEG, channels. Federal law allows local franchising authorities to require cable operators to set aside channels for these uses. Unfortunately, the increasing move to statewide franchise agreements has, in many cases, severely reduced or even eliminated funding for PEG channels. I have introduced legislation, the Community Access Preservation (CAP) Act, to address that issue.**

   How is Comcast ensuring that its customers have access to these important sources of local content in a way that is easy for them to find?

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[3] http://corporate.comcast.com/images/MB-10-56-C-NBCU-Annual-Compliance-Report-2013-2014-02-28.pdf.
[4] *Id.*
[5] http://corporate.comcast.com/images/FCC-Order-on-NBCU.pdf.
[6] http://corporate.comcast.com/images/C-NBCU-Annual-Report-to-the-FCC-02-28-2012-with-Appendices_sm.pdf.
[7] *Id.*

Comcast has consistently demonstrated a commitment to PEG channels. For instance, in connection with the NBCUniversal merger, Comcast committed to and performed innovative work with the PEG community by exploring additional means of making these important channels available. From February 2011 to January 2014, Comcast conducted a series of Video on Demand ("VOD") and Online PEG trials in five pilot communities.[8] Under this highly successful program, Comcast hosted nearly 600 segments of PEG on demand, generating nearly 50,000 views across the pilot communities through December 2013.[9] The online content, which was made available to both Comcast customers and non-customers, received over 350,000 unique visitors and nearly 1.2 million page views.[10]

[8] http://corporate.comcast.com/images/Comcast-PEG-Pilot-Program-Report-2014-01-28.pdf.
[9] *Id.*
[10] *Id.*

Questions for the Record
Senate Cory A. Booker

Senate Committee on Homeland Security and Governmental Affairs
Questions for the Record - "Customer Service and Billing Practices in the Cable and Satellite TV Industry"
Hearing held on Thursday, June 23, 2016

<u>Question for Mr. Tom Karinshak, Senior Vice President of Customer Service for Comcast</u>

Question 1: Mr. Karinshak, since November there has been an ongoing dispute between Comcast and the Yankees Network, *YES*. Approximately 500,000 consumers in New Jersey are being denied access to a sports channel that many purchased cable service specifically to access. It is estimated that the *YES* channel accounts for around $5 of a consumer's monthly cable bill. It doesn't seem fair that my constituents are caught in the crossfire of this ongoing business negotiation without any recourse or reimbursement.

Question 1a: Given that this dispute is still ongoing, do you believe that affected consumers should be granted a discount or reimbursement since they are apparently not receiving all of the programming they continue to pay for?

FOX and the Yankees were asking all of Comcast's New York-area customers who received the channel to pay them hundreds of millions of dollars over the next several years to continue receiving YES Network. YES is already the most expensive RSN in America and simply did not present an appropriate price-value proposition for Comcast customers given the network's minimal viewership, which is why Comcast decided that it could no longer justify carrying the network.

Comcast tries to defray the costs of the RSNs it carries through a Regional Sports Fee ($3 for customers receiving Digital Starter service tiers and above or MultiLatino 450 service). However, that fee covers only a small percentage of the total costs of all of the RSNs in any market. RSN fees where customers receive YES Network amount to approximately $9, and the RSN fee Comcast charges its customers in that area covers only approximately 30% of the costs of the RSNs in those markets, even without the cost of YES.

It remains Comcast's hope to bring back YES to its customers. But, Comcast can only do that if FOX becomes realistic with its price demands. The excessiveness of FOX's demands is confirmed by the fact that Comcast is not the only distributor who has not agreed to pay these fees. For example, Dish also does not carry YES.

Response of Charter Communications, Inc.
To Question for the Record Posed by Senators Rob Portman and Claire McCaskill
Following the Subcommittee Hearing on
"Customer Service and Billing Practices in the Cable and Satellite Television Industry"
June 23, 2016

1. The Subcommittee's joint staff report detailed deficiencies in the refund policies of both Time Warner Cable and Charter Communications, which have since merged with each other. Our investigation found that neither company provided full refunds to customers who had been overcharged for equipment, nor did they notify customers found to have been overcharged. Specifically, we discovered that Time Warner Cable overbilled more than 40,000 Ohioans and more than 4,200 Missourians in 2015, along with up to 11,000 more Ohio customers so far in 2016. Charter estimated that it overcharges more than 5,800 Missouri customers a total of $494,000 each year.

   Having acquired Time Warner Cable, Charter is now responsible for ensuring that Ohio and Missouri customers who receive inaccurate bills can count on having those mistakes fully and quickly corrected. At a minimum, we believe the company should at least *inform* all subscribers who have been overbilled that they may be owed refunds—including the 40,000 Ohio customers and 4,200 Missouri customers overbilled last year. To that end, please advise the Subcommittee whether you intend to notify Charter and legacy Time Warner Cable customers known to have been overcharged and fully refund the equipment overcharges they have paid. Please describe in detail the additional steps you plan to take to those ends.

   <u>Response</u>: **As explained in the testimony of Kathleen Mayo at the June 23rd hearing, Charter has notified legacy Charter customers known to have been subject to billing errors, and has issued a 12-month credit to those customers for those equipment fees.**

   For any legacy TWC customers identified as being subject to billing errors in October 2015 as part of TWC's billing reconciliation process, Charter will also issue those customers a 12-month credit for any erroneous equipment fees. For any legacy TWC customers identified after October 2015 as part of TWC's monthly reconciliation process, Charter will issue a credit for the period of the identified overcharge. Charter will notify these legacy TWC customers that they were subject to billing errors via a message in the bill that contains their credit.

   After having been notified of the billing errors and receiving a credit, if any legacy Charter or TWC customer contacts Charter and believes that they have not been provided a sufficient credit, we will work with those customers on an individual basis to research the problem and ensure that the customer receives the appropriate credit.

   Charter is committed to putting processes in place to ensure that these billing errors do not occur in the future. For legacy Charter customers, as Ms. Mayo noted in her hearing testimony, the company has already instituted a daily process to catch any

mismatches and reconcile those charges no more than 24 hours after they occur. Charter also is in the process of putting the same controls in place in the legacy TWC billing systems, which it expects to complete in September 2016.

Responses of Charter Communications, Inc.
To Questions for the Record Posed by Senator Tammy Baldwin
Following the Subcommittee Hearing on
"Customer Service and Billing Practices in the Cable and Satellite Television Industry"
June 23, 2016

1. I understand the need for Charter to evolve and target the millennial audience who may prefer to only purchase internet service and stream shows online rather than purchasing cable and internet services bundled together. However, as you are unbundling internet and providing streaming services for them, it is also imperative that you unbundle services to address the needs of older populations. Specifically, I hear from constituents who don't want to purchase internet in order to get a better deal on TV and phone when they don't even own a computer. Additionally, online account management services are fruitless if a customer doesn't own a computer.

   What is Charter doing specifically to address the needs of older populations to ensure they have the service they desire and have customer care that actually helps address their concerns?

   Response: **Charter values all of its customers including the elderly. To address the needs of elderly customers, Charter has implemented a number of customer service options. These include large-print billing statements and large-button remotes, which are available on demand. In addition, customers can call (855) 757-7328 to pay a bill using Charter's automated phone system as opposed to paying online. For those who prefer to pay their bill in person, legacy Charter has more than 250 stores in locations across its footprint.**

   Charter is particularly concerned about low-income seniors and their ability to access affordable broadband services. To this end, Charter is in the process of rolling out a low-income broadband offering of 30 Mbps for $14.99/month, which will be available to seniors receiving Supplemental Security Income. This offering will make broadband services more affordable to low-income seniors and encourage them to take advantage of the growing medical and social online opportunities.

   With respect to bundled services, Charter's strategy is to offer a full range of video, broadband and phone services to its customers. Because providing multiple services is more efficient and economical, Charter is able to offer lower prices to consumers for such bundled offerings. We understand that not all of our customers want to purchase multiple services, and therefore Charter does offer its video and broadband services on an individual basis. The individual services are competitively priced and Charter must aggressively compete with multiple video providers in every market it serves. Charter believes that offering a high quality service, at competitive rates combined with excellent customer service is the best way to attract and retain customers, including older customers.

I often hear from Wisconsinites living in rural areas about the challenges they face in accessing a range of telecommunications services. As you know, broadband Internet access is becoming a necessity for conducting business, accessing critical services like telemedicine and government benefits programs and simply staying informed. I also understand that there are significant costs involved in bringing these services to less-populated areas and I have strongly supported government efforts to facilitate that infrastructure development.

What is Charter doing to ensure its products and services are available to individuals in rural areas across this country – and at comparable cost and quality to that provided to urban and suburban customers?

Response: Charter's strategy is to offer high-quality services that are better than our competitors' and to price them competitively, eliminating many of the common fees in the industry to simplify bills and avoid "bill shock." In legacy Charter's footprint, we established a national uniform retail rate pricing ("Rack Rates"), which has the effect that consumers across our footprint get the benefit of the pricing in the most competitive local market. As a result, standard rates for Charter customers are the same for each tier of service and bundle of services regardless of whether they live in a rural or suburban area. Occasionally, Charter offers regional promotions such as "back to school" promotions near colleges, but in such circumstances, at the end of the promotion period, Charter's promotional pricing transitions to the same national uniform retail rates. Charter intends to implement this marketing approach across legacy TWC and BHN territories over time. As part of the Company's merger, Charter plans to build out its networks beyond where it is currently providing service, including into rural or underserved areas.

2. I have long been a supporter of preserving consumers' access to critical local programming – from town and county government meetings, to school programs, to locally-produced cultural content – through the availability of public, educational and government access, or PEG, channels. Federal law allows local franchising authorities to require cable operators to set aside channels for these uses. Unfortunately, the increasing move to statewide franchise agreements has, in many cases, severely reduced or even eliminated funding for PEG channels. I have introduced legislation, the Community Access Preservation (CAP) Act, to address that issue.

   How is Charter ensuring that its customers have access to these important sources of local content in a way that is easy for them to find?

   Response: Charter is proud of its record supporting local programming efforts. Charter meets all PEG programming commitments contained in its local and state franchises and complies with not only the letter but the spirit of the Cable Act during franchise renewal negotiations with respect to designation of channel capacity for PEG programming as well as equipment funding and other community support based on community needs.

We provide capacity and funding in thousands of communities throughout the United States and last year remit hundreds of millions of dollars in franchise fees to state and local franchising authorities, in addition to disbursing PEG fees, also in the millions of dollars to those communities with active PEG channels. Charter has strong relationships with the vast majority of its PEG providers and a history of working collaboratively with PEG organizations to meet its franchise commitments.

Charter agrees that PEG programming should be easy for consumers to find and access. To that end, Charter typically carries PEG programming on individual channels that are grouped together in the channel lineup and therefore easier to find and access. Unlike some other providers, Charter does not place all PEG programming on a single channel.

Post-Hearing Questions for the Record
Submitted to DirecTV
From Senator Claire McCaskill

"Customer Service and Billing Practices in the Cable and Satellite Television Industry"
June 23, 2016

Q. How does DirecTV inform customers who are enrolled in automatic bill pay about changes to their bill, such as price increases and overcharges?

Response: Whether or not a customer is enrolled in automatic bill pay, DIRECTV alerts the customer of price changes or overcharges as follows:

- DIRECTV provides customers at least 30-days advance notice of annual price increases: by a notice appearing on the bill; by an additional bill insert (digitally if paperless); by email (if email is available and authorized by customer). DIRECTV also provides notice by separate letter in certain circumstances (e.g., if DIRECTV service is jointly billed with services provided by a third-party partner).

- DIRECTV notifies customers of the end of a promotional offer ("roll-offs") in the section of the bill entitled "What Changed Since Last Month", which explicitly identifies changes from month-to-month. In addition, in the "Account Activity" section of bill, each promotional offer shows a "count down" of the months left (e.g., month 6 of 12).

- In the month after a price increase (or end of a promotion), the "What Changed Since Last Month" section of the bill will indicate that there was a price change from the prior bill.

- In instances where an overcharge is reflected in the customer's billing statement, DIRECTV typically identifies the overcharge in the customer's next billing statement and applies a credit to the customer's account. This credit, described as a "Billing Adjustment," appears on the customer's billing statement in the "Other Charges, Adjustments and Taxes" section, along with a description of the overcharge. In some cases (e.g., for larger credits), DIRECTV's process is to issue a letter to the customer to provide more information regarding the overcharge and the reimbursement method, in addition to the notification on the bill. (See produced sample letter at DTV-PSI-0055675).

Q. What efforts has DirecTV made to understand whether customers are receiving adequate notice that their bill will change or that the cost of their package will increase?

Response: DIRECTV regularly tracks customer satisfaction with its services and reasons for customer dissatisfaction, including billing.[1] DIRECTV is committed to providing our customers

[1] Certain of DIRECTV's efforts in this regard are discussed in the Minority Report at 30-31.

with simple and understandable communications with respect to services and fees. In 2014, as part of the Customer Experience initiative, DIRECTV introduced a new simplified bill that identifies current fees and charges, changes from the previous month, and the number of months remaining on any promotional discounted rates. This change was a proactive, multi-year, multi-million dollar effort that involved significant resources across DIRECTV. The monthly bill also notifies consumers of impending price changes. DIRECTV also discloses prices and the terms of promotional offers during the sales call, on directv.com, in sales confirmation emails and letters, and on the customer's monthly bill. Disclosures regarding program package prices in DIRECTV advertising also comply with the requirements of a multistate settlement agreement that DIRECTV entered into with the attorneys general of all 50 states and the District of Columbia in 2010.

Q. Has DirecTV changed its billing notification practices related to price increases? If so, please describe the changes that have been made and when these changes were implemented.

Response: In 2012, DIRECTV began including language in price change notifications that describe the reason for the price increase.

In 2014, as part of its Customer Experience initiative, DIRECTV introduced a new simplified bill that not only identifies current fees and charges, but also changes from the previous month, and the number of months remaining on any promotional discounted rates.

In 2016, DIRECTV introduced additional bill notifications in the month a price increase takes effect. DIRECTV now provides a unique price increase notification by bill insert (or email if authorized and available) for customers with promotional offers, in order to further clarify how a price increase would/would not impact their bills.

Q. Please provide a list of all promotional offers available between June 1, 2016 and July 31, 2016 that are "roll to pay" or that require customers to affirmatively cancel when that promotion ends or face being charged for that programming or service on their next bill. For those promotions that are "roll to pay," please indicate:

> ***(1) Whether customers can cancel the programming or service online or whether they must cancel over the phone.***

Response: See chart below.

Offers	Description	Roll-to-Pay	Cancel Options
Premium Channels	3 free months of HBO, SHOW, STARZ & CINEMAX for new subscribers to the Select thru Ultimate programming package.	Roll-to-pay in month 4. **Notification Method:** Roll-to-pay disclosed at point of sale, in the order confirmation, and in account activity section of the bill, which shows a promotional "count down." DIRECTV further notifies	Customer may: ✓ Opt out at point of sale. ✓ Call to cancel anytime during promotional period. ✓ Call to schedule cancellation during promotional period (after service is activated). ✓ Call to cancel after promotion

		customers of the end of a promotional offer in the section of the bill entitled "What Changed Since Last Month."	ends. DIRECTV provides customers a grace period to receive full refund of charges.
Sports Offer	NFL ST MAX included on CHOICE or higher programming. Packages in year 1 (or MAS ULTRA or higher).	Automatically renews beginning in year 2. DIRECTV customers who do not watch any NFL Sunday Ticket programming during this promotional period are not automatically renewed. **<u>Notification Method:</u>** Auto-renewal of sports offers are disclosed at point of sale and in the order confirmation. As customers approach their initial auto-renewal, additional notifications are sent with the DIRECTV bill, as follows: **Legacy DTV bill:** In the month before billing starts, DIRECTV provides notice that NFL Sunday Ticket is renewing. In the same month, the customer's bill will include a $0 line item for NFL Sunday Ticket. On the next month's bill, that line will be populated with tbe applicable monthly NFL Sunday Ticket charge. In addition, the "What's Changed Since Last Month" box of the bill will show that NFL Sunday Ticket has begun billing and the "Account Activity" of the bill will indicate that there has been a price change. **Combined bill (DTV + AT&T Product):** Thirty days prior to the auto-renewal, AT&T/DIRECTV provide the customer a letter and email (if email is available and authorized) reminding them of the start of the auto renewal, along with cancellation instructions.	Customer may: ✓ Opt out at point of sale. ✓ Call to cancel anytime during promotional period. ✓ Call to schedule cancellation for year 2 (after service activated). ✓ Call to cancel any time prior to start of season in year 2. ✓ Call to cancel after billing begins, up to start of NFL regular season. DIRECTV provides customers a grace period to receive full refund of renewal charges. ✓ Cancel in IVR, online or online chat for new DIRECTV customers who received complimentary NFL Sunday Ticket in year 1.

(2) Why DirecTV decided to make that promotion "roll to pay" instead of "roll to drop."

Response: With respect to both the premium channel offers and NFL Sunday Ticket offer, DIRECTV believes that requiring customers to call to continue to receive their services is not a good customer experience. If those customers who were enjoying the applicable programming forget to call, they would be disappointed if they found out that they are no longer getting the applicable channels. The promotional offers include what many customers consider "must have" programming. DIRECTV has also included numerous ways for the customers who do not want to "roll to pay" to avoid doing so—including, the ability to opt out at point of sale or during the promotional period (see chart above).

Q. Are front line agents allowed to downgrade or cancel a customer's service if they request it?

Response: Front line call center agents can downgrade a customer's base package, remove premium channels, and remove sports programming. If the customer requests to cancel the entire service, a retention agent can assist with the complete cancellation.[2]

Q. Are customer service representatives penalized if they fail to ask why a customer is changing or cancelling their service?

Response: DIRECTV's goal is to resolve customer issues with solutions that address the "root cause" of the customer's problem. That is why DIRECTV trains it agents to ask customers questions to identify their underlying issue. For example, a customer may call DIRECTV to disconnect service because of economic circumstances. By engaging the customer, DIRECTV agents are able to make them aware of lower-priced plans that include the programming they most want at a price they can afford. That result is a "win/win" for both the customer and DIRECTV. In addition, it is important for DIRECTV to understand the reasons why customers are dissatisfied with their service. DIRECTV tries to identify recurring problems and ways to address them – to the benefit of all its customers. Customer service agents may be reprimanded and retrained if they repeatedly fail to ask customers questions to determine the "root cause" of their problem.

Q. One suggestion that has been made by consumer advocates is to have a cable or satellite TV subscriber "bill of rights," much like the Department of Transportation's passenger protections for airline passengers, where consumers are guaranteed a certain level of customer service. Given that DirecTV has declared its commitment to a high standard of customer service, would DirecTV oppose such a "bill of rights"?

Response: Without being able to review specific language, DIRECTV cannot say what its position would be on such a legislative proposal. That said, the pay TV market is dynamic and rapidly evolving, with new players, besides traditional cable and satellite providers, entering the market and providing customers the programming they desire, e.g., NETFLIX, HULU, Amazon,

[2] May require transfer to a retention agent if not directly routed by the IVR.

Apple TV. Any static, mandated regulatory rules would likely be outpaced by these competitive forces and could serve to stifle innovation and potentially hamstring only a subset of competitors subject to those rules. In addition, existing federal and state law already provide effective consumer protections. These include: the FTC's oversight of unfair and deceptive trade practices;[3] the FCC's enforcement of statutory privacy protections;[4] and state consumer protection laws, typically enforced by state attorneys general.

Q. What steps is DirecTV taking to more effectively communicate how fees are charged on a customer's bill?

Response: In 2014, as part of its Customer Experience initiative, DIRECTV introduced a new simplified bill that identifies current fees and charges.

- The DIRECTV bill includes a separate section of the bill for equipment-related charges, which identifies (on a line-item basis) any equipment-related charges, such as the Advance Receiver Service fee.

- Similarly, DIRECTV's Regional Sports Fee (if applicable) is shown as a separate line-item on the bill. That fee is shown on the bill in the section entitled "Other Charges, Adjustments and Taxes."

Q. Does DirecTV plan to make any changes to clearly present the distinction between discretionary surcharges and government-mandated taxes or regulatory fees on a customer's bill? If so, what changes will be made and when will they be implemented?

Response: DIRECTV does not pass regulatory fees along to customers as separate "surcharges" on the bill. Thus, DIRECTV's bill does not have a separate bill section for such surcharges. As noted, DIRECTV does assess a Regional Sports Fee. That fee is shown as a separate line-item on the bill in the section entitled "Other Charges, Adjustments and Taxes." "Sales tax" also appears in this section, but such taxes are listed as a separate line item under a subsection clearly entitled "Taxes."

DIRECTV is continuously evaluating ways to improve the customer experience. We are currently designing a combined bill for customers with bundled AT&T/DIRECTV services. In designing that combined bill, we will review different alternatives to effectively communicate our fees and charges, taking into account learnings from both companies.

Q. DirecTV customers with lower credit ratings were, under some circumstances, required to pay a fee at the time of installation, even when advertisements claimed that they would be given a "Free DirecTV System." This fee was presented to them not as a fee but as an opportunity because they "qualified" for an offer. Does DirecTV inform each customer subject to fees because of their credit rating that they are being charged a fee because of their credit score?

[3] 15 U.S.C. § 45.
[4] 47 U.S.C. § 338(i).

Response: Most DIRECTV offers for new customers feature equipment and installation at no additional charge, as well as introductory discounted program package pricing. These offers are generally available only to consumers who meet certain creditworthiness criteria. If a consumer does not meet the criteria, DIRECTV will make the offer available provided that the consumer makes an up-front payment of about $300. The consumer will then receive a monthly bill credit up to the full amount of that up-front payment. This is disclosed to the consumer during the sales call if the credit check has indicated that the consumer does not qualify for the offer.

Q. DirecTV customers with good credit ratings may qualify for free or reduced price equipment while customers with poor credit ratings may not receive the same discounts. Please provide a description of the offers available to customers with "good" or "high" credit ratings and the offers that are available to customers with "low" or "bad" credit ratings?

Response: See response to question 10. If a consumer's credit score does not qualify for the offer and the consumer does not want to make the up-front payment, the consumer can purchase the receiving equipment and pay for installation.

Q. One DirecTV training document instructed agents to "de-escalate" upset customers in this way: "Like a matador, you must mentally 'step aside' and let the bull run past you... until it gets tired and calms down." DTV-PSI-0089498 – 499 How have training mechanisms like this one contributed to customer satisfaction?

Response: The use of the "matador" analogy in the training materials is unfortunate and is no longer in use. DIRECTV has produced thousands of pages of training materials for thousands of DIRECTV representatives. The pages cited do not reflect DIRECTV's overall approach to customer service and sales and are no longer a part of how we do business. The referenced training guide instructs agents how to respond effectively and courteously to upset customers. The materials instruct the agent to actively listen to the customer and explains that upset customers are not "the 'bad' guys that attack for no reason, but who simply want to understand an issue . . . even if their first reaction is to get angry." (DTV-PSI-0089499).

Q. DirecTV advertisements do not include the post-promotional price that customer's pay when their first or second year of service ends or their promotion rolls off, unless it is in the fine print. Does DirecTV plan to include this information in advertisements in the future?

Response: DIRECTV has launched some offers that feature a discounted price that lasts throughout the two-year agreement. In that instance, of course, the price does not change during the two-year agreement. DIRECTV continues to advertise offers that feature a discount for twelve months over a two-year agreement. Because package prices are subject to change, DIRECTV discloses the then-current monthly package pricing to consumers who sign up on directv.com and in its phone sales process. We also disclose that the price is subject to change, and escalating programming costs have necessitated price increases that cover a portion of DIRECTV's increased programming costs.

Q. Our investigation revealed that some lower priced offers are only available to some customers over the phone, especially those wishing to cancel or downgrade their service. Do you plan to make these offers accessible to customers online or to customers who call asking for the lowest price option?

Response: DIRECTV's lowest price package is the Family package, priced at $29.99, although it is often more expensive than introductory pricing offered on other packages. The Family package is available on the DIRECTV website. Agents use the Family package as a retention offer if it meets the needs of the customer.

Post-Hearing Questions for the Record
Submitted to Rasesh Patel, Senior Vice President, Product Management, AT&T Entertainment Group (DirecTV)
From Sen. Tammy Baldwin

I understand the need for DirecTV to evolve and target the millennial audience who may prefer to only purchase internet service and stream shows online rather than purchasing cable and internet services bundled together. However, as you are unbundling internet and providing streaming services for them, it is also imperative that you unbundle services to address the needs of older populations. Specifically, I hear from constituents who don't want to purchase internet in order to get a better deal on TV and phone when they don't even own a computer. Additionally, online account management services are fruitless if a customer doesn't own a computer.

What is DirecTV doing specifically to address the needs of older populations to ensure they have the service they desire and have customer care that actually helps address their concerns?

Response: DIRECTV is committed to providing all of its customers, including seniors, competitively priced services that meet their unique needs. This includes the offering of DIRECTV's satellite TV services on a standalone basis.

In addition, DIRECTV makes available its customer service agents to customers that wish to address their service issues over the phone. In fact, DIRECTV's frontline call center agents speak with hundreds of thousands of customers every day regarding a wide range of inquiries and issues. Frontline call center agents receive extensive training concerning how to effectively and courteously communicate with every customer. In particular, DIRECTV trains its agents to listen to customers and ask them clarifying questions so that the agent can extend an offer to the customer based on their unique and individual needs. DIRECTV has also introduced step-by-step trouble shooting instructions, with pictures, that can be accessed via the set-top-box, thereby avoiding the need for customers to go on line to obtain this information.

I often hear from Wisconsinites living in rural areas about the challenges they face in accessing a range of telecommunications services. As you know, broadband Internet access is becoming a necessity for conducting business, accessing critical services like telemedicine and government benefits programs and simply staying informed. I also understand that there are significant costs involved in bringing these services to less-populated areas and I have strongly supported government efforts to facilitate that infrastructure development.

What is DirecTV doing to ensure its products and services are available to individuals in rural areas across this country – and at comparable cost and quality to that provided to urban and suburban customers?

Response: DIRECTV's satellite TV services are provided across the country, including in rural areas, at the same quality, with the same richness of content, and at the same base package price(s). Taxes and fees may differ in a given area, however. For example, DIRECTV does not assess a Regional Sports Fee in all areas of the country.

Post-Hearing Questions for the Record
Submitted to Dish Network
From Senator Claire McCaskill

"Customer Service and Billing Practices in the Cable and Satellite Television Industry"
June 23, 2016

1. **How does Dish inform customers who are enrolled in automatic bill pay about changes to their bill, such as price increases and overcharges?**

   Response: At the time of sale, DISH focuses on trying to ensure that the customer understands the products and services they are receiving and all of the associated costs. DISH has several ways to proactively inform customers of pending price changes on their bill, including on the bill itself, emails, text messages, and set-top box pop-ups. [1]

2. **What efforts has Dish made to understand whether customers are receiving adequate notice that their bill will change or that the cost of their package will increase?**

   Response: DISH prides itself on transparency and strives to provide clear, consistent communications to its customers. Customers can access their account information via phone, text, paper bills, and the DISH website. DISH has worked continuously to improve the quality and clarity of our bills, and today DISH ranks highly on customer satisfaction surveys and reports for ease of understanding of the bill. DISH also answers many customer billing questions on our website.[2] If a customer changes their service, they will get a text or email along with their new bill, indicating the new monthly amount.

3. **Has Dish changed its billing notification practices related to price increases? If so, please describe the changes that have been made and when these changes were implemented.**

   Response: DISH has worked consistently to enhance communications with our customers about pending price increases.[3] Aside from sending customers notice on the

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[1] *See* "Credit Roll Off Example.PNG," "One-Time Fee Example.PNG," "Prorated Charges Example.PNG," "RTP Charges Example.PNG," produced to Committee staff on June 7, 2016 (examples of customer pricing disclosures).

[2] *See* DISH Support, "Understanding Charges and Credits," https://www.mydish.com/support/billing/understanding-charges-credits.

[3] *See* "New Connect Work Order Created.pdf," produced to PSI staff on May 11, 2016 (sample email notification to new customers disclosing details of their DISH account); Text Messages _ MyDISH _ DISH Customer Support.PDF, produced to PSI staff on June 7, 2016 (listing text message commands for DISH customers).

back of their monthly bill (or enclosed in the same envelope), DISH informs customers of price increases in a variety of formats, including via text message, email, and/or set-top box pop-ups.

4. **Please provide a list of all promotional offers available between June 1, 2016 and July 31, 2016 that are "roll to pay" or that require customers to affirmatively cancel when that promotion ends or face being charged for that programming or service on their next bill. For those promotions that are "roll to pay," please indicate:**

   Response: Provided as separate, confidential attachment.

   a) **Whether customers can cancel the programming or service online or whether they must cancel over the phone.**

      Response: Customers can generally downgrade their service online or over the phone.

   b) **Why Dish decided to make that promotion "roll to pay" instead of "roll to drop."**

      Response: Generally, programmers require that free introductory periods for premium promotions are offered only on a roll-to-pay basis. This arrangement allows DISH to provide programming to customers for free during a trial period. DISH would like more flexibility with these offers.

5. **Are front line agents allowed to downgrade or cancel a customer's service if they request it?**

   Response: All agents can adjust a customer's programming or service package. Only DISH Loyalty agents are authorized to complete a customer's request to disconnect.

6. **If a Dish customer wishing to disconnect does not want discuss their reasons for canceling service, Dish training documents instruct that, "[u]sing an effective transition statement to lead into probing will prevent disconnecting customers from realizing you are working to save them."[4] If a customer calls Dish specifically to cancel their service, can they do so without being asked additional questions or being offered additional services?**

   Response: Most customers who initially call to cancel their service actually have an issue that can be resolved short of disconnecting. As there are many possible nuances with such discussions, we believe that there needs to be conservation with the customer. Such reasons can include changing service levels, or a customer believing that they need to cancel their account when she moves. There are also complexities with disconnecting such as equipment returns and potential fraud issues, which also require a conversation

[4] DISH-PSI2015Nov-000425336.

with a customer service agent. As such, many customers that called in to disconnect are still with DISH due to their productive conversations with a customer service agent.

7. **Are customer service representatives penalized if they fail to ask why a customer is changing or cancelling their service?**

   Response: No.

8. **One suggestion that has been made by consumer advocates is to have a cable or satellite TV subscriber "bill of rights," much like the Department of Transportation's passenger protections for airline passengers, where consumers are guaranteed a certain level of customer service. Given that Dish has declared its commitment to a high standard of customer service, would Dish oppose such a "bill of rights"?**

   Response: DISH supports industry efforts to improve customer service. DISH welcomes the opportunity to be a part of discussions about customers' service expectations and providers' service obligations.

9. **What steps is Dish taking to more effectively communicate how fees are charged on a customer's bill?**

   Response: DISH's customer bills are at the top of the industry in terms of being easy to read and understand. This is the result of concerted efforts by DISH to promote transparency and avoid customer confusion.

10. **Dish advertisements do not include the post-promotional price that customer's pay when their first or second year of service ends or their promotion rolls off, unless it is in the fine print. Does Dish plan to include this information in advertisements in the future?**

    Response: DISH communicates its post-promotional prices to customers individually through various notification methods. Each customer's promotional price may differ based on the premium add-ons, equipment, and other features the customer includes in her service contract. DISH strives to communicate any changes in a customer's bill clearly and in advance of the adjustment.

Post-Hearing Questions for the Record
Submitted to Kathleen Schneider, Senior Vice President, Operations, Dish Network
From Sen. Tammy Baldwin

"Permanent Subcommittee on Investigations: Customer Service and Billing Practices in the Cable and Satellite Television Industry"

June 23, 2016

Q. I often hear from Wisconsinites living in rural areas about the challenges they face in accessing a range of telecommnnications services. I understand that there are significant costs involved in bringing these services to less-populated areas and I have strongly supported government efforts to facilitate that infrastructure development.

What is Dish doing to ensure its products and services are available to individuals in rural areas across this country – and at comparable cost and quality to that provided to urban and suburban customers?

Response: DISH is proud to be the only provider of local broadcast channels in all 210 U.S. media markets, providing service to rural and less-populated areas all over the country. In addition, DISH's *Sling TV* service offers customers a low-cost alternative to traditional pay-television packages. For as low as $20 per month, any customer with an Internet connection can access many must-have cable channels including ESPN, AMC, CNN, and many more. DISH also offers DISHnet satellite broadband to subscribers across the country, with a particular emphasis on bringing service to rural and less-populated areas where cable/fiber/DSL is not built out.