

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.