

**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
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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.