

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.