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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

ORIGINAL  
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In the Matter of )

Implementation of Section 8 of the )  
Cable Television Consumer Protection )  
and Competition Act of 1992 )

MM Docket No. 92-263

Consumer Protection and Customer )  
Service )  
\_\_\_\_\_ )

COMMENTS OF CONTINENTAL CABLEVISION, INC.

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## SUMMARY

Continental Cablevision, Inc. ("Continental") is the nation's third largest multiple system operator ("MSO"). The company's ability to provide quality service to its customers -- who reside in some 600 communities in 16 states -- derives not from its MSO status but rather from its decentralized management style that permits the managers of each system to tailor the service to meet customer needs in innovative ways. Moreover, Continental measures its customer service performance not simply according to how it meets the voluntary standards of the National Cable Television Association ("NCTA"), but also by surveying its customers as to their actual satisfaction with Continental's performance.

If the Commission uses the NCTA voluntary standards as the basis for adopting customer service standards that local franchising authorities may in turn adopt and enforce, Continental urges the Commission to make certain modifications to these standards. Because the NCTA standards are voluntary, they have provided cable operators with the flexibility necessary to meet the particular needs of the operators' local communities. If meeting the literal requirements of the NCTA standards would in any way harm the

operators' ability to meet their performance goals, operators have the flexibility to alter their conduct to better achieve that end. Unless such flexibility is incorporated into the Commission's standards, adoption of the NCTA standards as mandatory standards could actually frustrate the cable operators' ability to deliver quality customer service.

Moreover, to the extent the NCTA standards contain ambiguous terms and conditions, cable operators have been able, in implementing them as voluntary standards, to interpret these terms in a reasonable manner. Those terms need to be better defined, therefore, before they can be converted into mandatory standards that a local franchising authority may establish and enforce.

With nearly two years of practical experience gained in implementing the NCTA voluntary standards in its systems, Continental proposes some specific modifications to make those standards more appropriate as mandatory standards. Continental also urges the Commission, as an alternative means to assure quality customer service, to encourage local franchising authorities and cable operators to agree on performance standards that are tailored to the needs of their communities.

Although the Act requires the FCC to establish standards, adopting and enforcing customer service standards

remains ultimately a matter of local franchising authority control. Because the Act neither makes the standards self-executing nor confers authority on the Commission either to enforce the standards or impose them on local franchising authorities, the franchising authorities must affirmatively decide, to adopt the standards (and should so notify the cable operator) before they can enforce them. If the franchise authorities seek to impose more stringent standards than the federal standards, the authorities must obtain the consent of the cable operator. Finally, the Commission correctly interprets the Act to permit state and local authorities to pass consumer protection laws that impose more stringent requirements than the FCC's customer service standards only if the laws are of general applicability.

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**COMMENTS OF CONTINENTAL CABLEVISION, INC.**

Pursuant to the Commission's Notice of Proposed Rulemaking ("NPRM"), Continental Cablevision, Inc. ("Continental") submits these comments on the customer service regulations that the Commission has proposed as part of its implementation of the Cable Television Consumer Protection and Competition Act of 1992 ("Act").

**INTRODUCTION**

It is imperative that, in adopting customer service standards, the Commission not inadvertently take action that would discourage rather than encourage cable operators to meet their customers' needs in innovative ways. Continental, the nation's third largest multiple system operator (MSO), urges the Commission to adopt a regulatory scheme that balances the need to establish standards that local franchise authorities may adopt and enforce, with the need to allow cable operators

to tailor their business operations to meet their customers' specific needs.

Cable television is, after all, a local business. While there are large national MSOs, including Continental, cable franchises are awarded community by community. And while there may be similarities, no two communities are exactly alike.

Continental's goal has always been to provide the highest quality of service to our customers. Before turning to the specifics of our proposals and responses to the NPRM, we provide some factual background on how Continental provides its customers with quality service.

#### **FACTUAL BACKGROUND**

##### **A. Continental's Decentralized Management Style**

Continental was founded in 1964. The company started with two small cable systems in Tiffin and Fostoria, Ohio. The company's founders made the franchise presentations, answered the phones, collected bill payments and generally managed the systems.

The company's founders also thought about what form the company should take as it expanded. The standard corporate model of the 1960s was paternalistic and hierarchical. Top-down control was considered both a necessity and a virtue, and some of the best business minds concentrated on the formation of mega-conglomerates.

Continental's founders believed, however, that a top-down, hierarchal management structure would not meet the demands of the cable business because it is a local business.

Guided by the principle that form should follow function, Continental departed from the norm and took steps to create a decentralized company, with a lean corporate structure, minimum support staff, and a network of local managers with complete decisionmaking authority over local operations. In the 1960s, that was a radical step.

Nearly 30 years after the company's founding, Continental has become the nation's third largest MSO, serving nearly 2.9 million basic subscribers or roughly 5.5% of the nation's cable television households. Continental still adheres to its policy of decentralized management. Indeed, given the enormous differences in the 600 communities we serve, we believe -- more strongly than ever -- that there is no other way to ensure that local community and customer service needs are met. Continental serves communities from Maine to Florida, from Virginia to California. Our systems range in size from 180,000 subscribers in Jacksonville, Florida to 960 subscribers in Carthage, Illinois. Some of our systems, like South Central Los Angeles, are urban. Some, like Newton, Massachusetts, are suburban. And some, like Elyria, Ohio, are rural. Each is different; all are diverse.

The ability to respond to these differences and diversities are of paramount importance in providing quality customer service. The customer service expectations in Los Angeles and suburban Boston are vastly different from those in the farm communities of the midwest or retirement communities of South Florida -- and all must be served in their own way.

**B. Continental's Customer Service Performance**

Continental's success in achieving quality customer service has been recognized by others over the years. In 1988, for example, a poll of readers taken by CableVision magazine selected Continental as the "most admired company in cable."

Continental Cablevision long has enjoyed a reputation as one of the best managed, most conscientious companies in the cable business. Now a CableVision reader survey confirms that perception is no fluke.<sup>1</sup>

The magazine found that Continental was rated first in the country for both its quality of management and its quality of service. The magazine found the same result when it conducted a similar poll in 1989 and again in 1990.

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<sup>1</sup> Virginia Munger Kahn, Reader's Choice Awards, CableVision, May 9, 1988, at 1.

**C. Continental's "Quality Customer Encounters" Program**

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A key component of Continental's customer service is our Quality Customer Encounters (QCE) program, established in 1985. Consistent with Continental's decentralized management structure, the QCE program defines the outcomes that are expected, but does not dictate specific actions that managers of individual systems must take to achieve those results. The goal is improved customer satisfaction, and managers must do "whatever it takes" to achieve results. As part of the QCE program, all customer contact employees, including customer service representatives ("CSRs"), installers, and repair technicians, receive training in the principles of quality customer service. Continental operates six regional training centers and spends nearly \$2000 per employee each year to improve technical and customer service skills.

In 1991, Continental improved its existing QCE program by creating an enhanced QCE training program consisting of 26 modules, complete with videotapes, audio cassettes and training manuals. Participants range from CSRs to senior vice presidents, and the curriculum includes courses designed to improve customer communication and problem solving skills.

**D. Continental's Customer Satisfaction Surveys**

Since 1985, Continental has employed Walker Customer Satisfaction Measurements (Walker CSM) to conduct scientifically based surveys of random samples of customers. These surveys enable Continental to learn about and respond to the actual customer needs of the communities in which Continental operates. In 1992, for example, nearly 15,000 customers were interviewed about what they think about our service. Each respondent was asked to rate our customer service in general, as well as our repair and installation services, more specifically using 51 process attributes.

By using these surveys, Continental is able to measure its customer service performance not simply by how well its systems meet the content of the voluntary customer service standards of the National Cable Television Association ("NCTA"), but by what each system's customers actually think about that system's customer service.

**E. Continental's Daily Provision of Customer Service**

On any given day, Continental's customer service representatives handle more than 50,000 telephone calls from customers. Most of these calls are local, but some will come through toll-free lines answered 24-hours a day. Some calls will be handled by TDD devices installed for hearing impaired customers. And while most conversations are in

English, an increasing number are in Spanish, and some are in French, Laotian, Thai, and Cambodian.

On any given day, Continental technicians install cable service in more than 2,500 homes, and our repair crews answer more than 4,000 service calls. Many of these installations and service calls are to single-family residences, but others are to multiple dwelling units, and some are to businesses. A crew in Maine may need to brush snow and ice from an optical repeater to splice a fiber optic cable. At the same time, a crew in Florida may need to trench through sand and saltwater marsh. An installer in Oak Brook, Illinois, may be connecting an aerial drop over a suburban yard, while his or her counterpart in a rural Ohio community may be taking the time to deeply bury a cable so it will not be cut by a farmer's plough. Every day, Continental services its customers by responding to local needs and conditions.

## DISCUSSION

### I. ADOPTION OF CUSTOMER SERVICE PERFORMANCE STANDARDS

In the NPRM, the Commission seeks comments on what type of customer service standards it should establish as federal guidelines and specifically inquires as to the appropriateness of the existing NCTA voluntary standards as a benchmark for establishing such standards.

### **A. Content Standards vs. Performance Standards**

In establishing customer service standards, the Commission should take note of the fundamental distinction between content standards (e.g., the NCTA standards) and performance standards (e.g., Continental's Walker CSM surveys). Content standards dictate what is to be done, while performance standards prescribe the results that are to be achieved.<sup>2</sup>

Compliance with content standards is measured by how well each of the various steps directed by the standards is performed, while compliance with performance standards measures the effects of a company's service on its customers. The developers of content standards assume a priori that the desired customer outcomes will be achieved if the work required by the standard is performed. In fact, however, content standards frequently result in unintended consequences and the achievement of negative results. Performance standards, conversely, require no such assumptions and, because they measure the consequences themselves, cannot result in unintended consequences.

#### **1. Expert Opinion on Content vs. Performance Standards**

The task of developing customer service standards, which the Commission now faces, is a problem common to many

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<sup>2</sup> Chester Finn, The Education Empire Strikes Back, Wall St. J., Dec. 16, 1992, at A14.

industries. A thorough examination of the body of literature on the subject reveals an overwhelming consensus against content standards by the nation's service quality experts.

The reason that expert opinion is biased against content standards is because "the quality of any product or service is what the customer says it is."<sup>3</sup> The opinions, preconceptions and prejudices of the developers of content standards are frequently invalidated by the opinions, preconceptions and prejudices of the customer. The question then becomes: whose opinion counts?

The nation's foremost experts on service quality point out the difficulty of applying content standards to customer service. In their landmark book Delivering Quality Service, Professors Zeithaml, Parasuraman and Berry address the distinction between customer service quality as measured by the achievement of some arbitrary content goal and as measured by the customer.

The only criteria that count in evaluating service quality are defined by customers. Only customers judge quality; all other judgments are essentially irrelevant.<sup>4</sup>

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3 Patricia Sellers, Getting Customers to Love You, Fortune, March 13, 1989, at 38.

4 Valerie Zeithaml et. al, Texas A&M University, Delivering Quality Service 16 (1990).

Professors Zeithaml, Parasuraman and Berry note that services have three distinct characteristics that make content measurements inadequate:

First, most services are intangible . . . . Because services are performances, rather than objects, it is generally not possible to set precise manufacturing specifications concerning uniform quality. Most services cannot be counted, measured, inventoried, tested and verified in advance of [delivery] to assure quality. . . .

Second, services -- especially those having high labor content -- are heterogeneous: their performance often varies from producer to producer, from customer to customer and from day to. . . .

Third, the production and the consumption of many services are inseparable . . . . As a consequence, quality in services is not engineered at the manufacturing plant, then delivered intact to the customer. . . . In services where consumer participation is intense . . . , the service firm may have less managerial control over quality because the client participates in the process. <sup>5</sup>

## **2. Disadvantages of Content Standards**

Content standards have many disadvantages over performance standards, most notably the possible reduction in the quality of customer service. Because the determination of service quality rests exclusively with the customer, technical compliance with content standards can be

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<sup>5</sup> A. Parasuraman et. al, Texas A&M University, A Conceptual Model of Service Quality and Its Implications for Future Research 2 (1984).

achieved without achieving the desired beneficial impact on customers. For example, in order to reduce a company's busy signal rate, customer service representatives could be instructed to spend less time with each customer so that more calls can be answered. The percentage of calls that result in a busy signal may thereby be lower, but this "success" is undercut by the fact that to achieve technical compliance with the content standard, customers are getting less of the customer service representatives' attention when they call, which could lessen their chance of getting their problems resolved. Even though the content goal is met, customer satisfaction is lower.<sup>6</sup>

The cost of measuring compliance with content standards is high and is money that could otherwise be spent improving customer service. While measurement costs may be necessary to insure compliance on the part of poorly performing cable operators, forcing systems that are already providing quality customer service to incur these not insignificant measurement costs serves no purpose, in that

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6 Another example is compliance with a content standard requiring operators to transfer the call within 30 seconds. The time required to transfer the call is not solely dependent on the operator's performance, but depends as well on the nature of the customer's inquiry or problem. Compliance with the content standard could result in calls transferred to the wrong person, thereby decreasing customer service.

it merely diverts funds that could have enhanced customer service even more.

In all cases, however, the costs of measurement are wholly separate from (and frequently greater than) the cost of actually implementing the customer service standards. This is because a given cable system already has some customer service representatives and telephone equipment. Adding an additional CSR to improve customer service is an incremental cost that can be achieved through reassignment, overtime or part-time staffing or other means. But measuring and documenting compliance with standards would require many cable systems to purchase PBX equipment and/or computer hardware and software. Unlike employees, this equipment cannot be acquired incrementally and represents a large capital expenditure.<sup>7</sup>

Content standards will also require increased labor expenditures to implement the standards. Although some companies have added computer systems and other labor-saving devices, service industries have not approached the labor efficiencies of manufacturing industries and probably never

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<sup>7</sup> Systems may need PBX equipment to have the capability to measure certain call parameters. PBX systems range in cost from \$68,000 to well over \$200,000. The costs for the software and programming changes that are needed to measure the parameters once the PBX is installed range from \$13,000 to more than \$58,000. Many systems would also require additional hardware, which costs \$5,000 and up depending upon the PBX system.

will. Increasing the level of service or the times or days that the services must be performed can have a significant impact on costs, which will ultimately translate into higher rates. In some cases, the incremental costs may be small and the ultimate impact on rates insignificant. In those cases, customers may prefer to have the improved service level and pay the small additional cost. But in other cases, existing service levels -- as perceived by customers -- may be adequate, and the cost of achieving an arbitrary increase in service levels may be high. In those cases, customers would probably not notice any marginal improvement in service, particularly given the increased rates they will be charged.

Finally, meeting content standards during fluctuating peak and non-peak periods would not be cost effective. For example, achieving the three-percent "busy rate" standard, which requires that customers receive a busy signal only 3% of the time, greatly depends on the calling patterns of customers. Non-compliance with the standard is therefore not necessarily indicative of the operator's staffing and telephone equipment capabilities. At one system, a broad peak period of calling may cause the system to violate the busy signal standard, which would properly indicate the need for additional staffing during that period. However, a system may fail to meet the standard due

to several sharp peaks of calling of short duration, which would be a function of the chaotic nature of customer calling patterns rather than inadequate staffing. Thus, failing to meet the three-percent busy standard does not in and of itself demonstrate the need for additional staffing.

**B. Performance Standards Achieve  
Positive Results and the Methodology  
Exists to Implement Those Standards**

In most cases, performance standards are easier to implement and cheaper to measure than content standards -- thereby permitting resources to be devoted to implementation of customer service efforts rather than their measurement.<sup>8</sup> Moreover, performance standards have the added benefit of actually reflecting the impact of services on the consumer. As previously discussed, Continental's performance standards have been one of its keys to success in the customer service arena. In 1992, nearly 15,000 customers at more than 90 Continental systems participated in the Walker CSM surveys. Using these customer satisfaction surveys, Continental's local managers can take steps to correct deficiencies perceived by their customers. And senior management can

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<sup>8</sup> The costs of performance standards are about the same regardless of cable system size. We estimate that a customer satisfaction survey can be conducted by an independent survey company for about \$3,000 per system. This cost is substantially lower than the equivalent costs that moderate to large systems would incur for the kinds of equipment needed to measure compliance under content standards.

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assess the customer service performance of any Continental system, regardless of system size or other unique factors.

Continental therefore urges the Commission to encourage cable companies and franchising authorities to agree on performance (rather than content) standards that are a better measurement of customer service in that community and, therefore, should be substituted for the Commission's content standards.<sup>9</sup>

**II. THE NCTA STANDARDS MUST BE MODIFIED IF  
THEY ARE TO SERVE AS A BENCHMARK FOR THE  
CUSTOMER SERVICE STANDARDS ESTABLISHED BY  
THE COMMISSION**

The NCTA customer service standards are content standards that were adopted by the cable association in February 1990 for voluntary implementation by cable companies. While these standards can serve as a foundation for the Commission's use in developing a set of mandatory standards that local authorities may in turn adopt and enforce, these voluntary standards cannot and should not simply be borrowed wholesale for conversion to mandatory standards.

As voluntary standards, the NCTA standards have served a useful purpose in providing a framework by which poorly performing operators can improve their customer

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<sup>9</sup> For the reasons set forth in Section III below, the cable operators and local franchising authority would be required to agree on such performance standards.

service. But, precisely because they are voluntary, operators have had the flexibility to tailor their performance to meet the particular service needs of the communities they serve. Stated differently, if meeting the literal requirements of these content standards would in any way harm the operators' ability to meet their performance goals, operators have the flexibility to tailor their conduct to better achieve that end. While the managers of Continental's systems have sought to apply both the spirit and the letter of the NCTA standards, no Continental manager would strictly apply a standard if it were likely to result in degrading our customer service. Unless such flexibility is incorporated into the Commission's standards, adoption of the NCTA standards as mandatory standards could actually frustrate the cable operator's ability to deliver quality customer service.

Moreover, to the extent the standards contain ambiguous terms and conditions, cable operators have been able, in implementing them as voluntary standards, to interpret those terms in a reasonable manner. Those terms need to be better defined, therefore, before they can be converted into mandatory standards that a local franchising authority can establish and enforce. Fairness dictates that a cable operator must have a clear understanding of the standards to which it will be held. Equally important,

consumers' interests will be served only if the FCC adequately defines the terms and conditions in the standards. Otherwise, unreasonable interpretations by local franchise authorities could create perverse incentives to reduce certain resources to meet the requirements of the standards. For example, a cable operator could decrease the time for calls to be answered (in order to meet the relevant standard) by shortening its hours of operations, but in doing so it would eliminate the convenience of evening and night-time hours. Unreasonable interpretations of the standards could also impose unnecessary additional costs on the cable operators. Ultimately, those costs will either be passed on to consumers or the operator will be forced to reduce other services that meet the special needs of a community (e.g., multilingual operators) but are not delineated in the standards.

To avoid these undesirable results, the Commission must modify the NCTA standards before it can use them as a starting point for the customer service standards it establishes. To assist the Commission in this effort, we propose definitions for terms and conditions used throughout the NCTA voluntary standards, as well as modifications to the existing NCTA voluntary standards.<sup>10</sup>

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<sup>10</sup> The complete text of our proposed modified standards is attached to these comments.