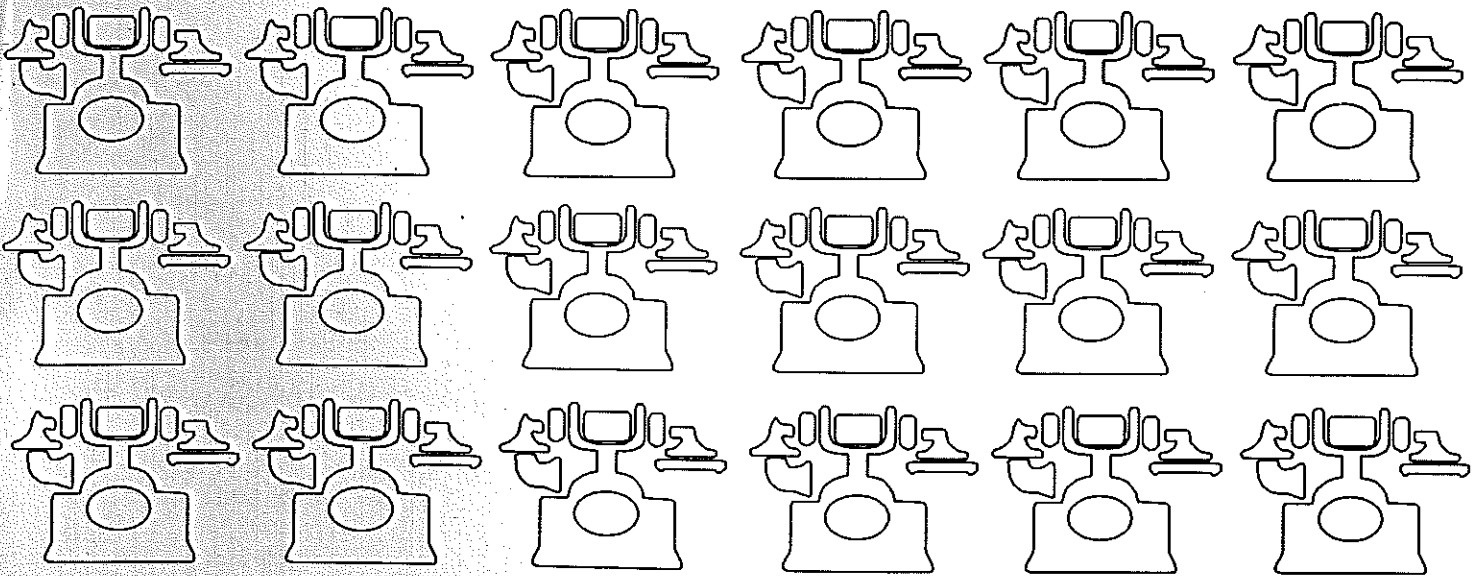


Consumer Services Activity Report Telephone Utilities 1990



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Telephone Activity Report: 1990

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ANNUAL TELEPHONE ACTIVITY REPORT - 1990

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I. INTRODUCTION

This report highlights the Pennsylvania Public Utility Commission's Bureau of Consumer Services complaint activity related to the telephone industry. It provides an overview of the performance of the six major telephone companies: Alltel, Bell, Commonwealth, Contel, GTE and United. Prior to 1988, all telephone complaint handling activity was presented as part of the annual "Consumer Services Activity Report". However, the Bureau believes that it is best to present telephone information in a separate report because of the uniqueness of the regulations governing the telephone industry and the vastly changed regulatory environment. The telephone complaint information presented here can be used by the Commission to assess the effectiveness of telephone regulations and to set future telecommunications policy.

The Bureau of Consumer Services was created by Act 216 of 1976. Its responsibilities were clarified in Act 114 of 1986 which confers four primary responsibilities on the Bureau. The first of these is to "...investigate and issue final determinations on all informal complaints received by the Commission." The second legislative mandate states that "The Bureau shall on behalf of the Commission keep records of all complaints...and shall at least annually report to the Commission on such matters." In this regard, the Bureau's Division of Research and Planning maintains a sophisticated information system through a contract with Pennsylvania State University. This allows the Bureau to both access pertinent information regarding complaints and to use statistics from complaints to evaluate utility performance. The third legislative mandate requires that the Bureau "...shall advise the Commission as to the need for formal Commission action on any matters brought to its attention by the complaints." The Bureau uses complaints in a number of ways to identify failures of utility operations or problems which require formal Commission action.

A number of studies have found that only a minority, often a small minority, of dissatisfied persons complain about unsatisfactory products or services. The Bureau's experience reflects this fact as it has frequently found that a seemingly small number of individual complaints from utility customers may represent management failures or other systemic problems in utility operations. Support for evaluating utilities is secured by aggregating data from thousands of complaints to provide information about how effectively utilities meet consumers' needs and whether their activities comply with Commission standards. The results of this analysis are periodically communicated to companies so that they can act independently to resolve problems before a formal Commission action becomes necessary. In many cases, companies that have taken advantage of this information have been able to resolve problems and improve service. However, companies that have failed to act responsibly to resolve problems have been

subjected to fines and rate case adjustments of expenses and revenues.

This report provides a comprehensive analysis of telephone company data for the year 1990. In addition, 1989 data is provided as a basis for trend analysis. The data analyzed in this report consist of complaint statistics from the Bureau's Consumer Services Information System (CSIS) and the Bureau's §64.201 Reporting System, a data system based on the collection statistics reported annually by telephone companies as required by Chapter 64. Data collected through the §64.201 Reporting System provide a valuable resource for measuring changes in telephone company collection performance.

Since this report focuses exclusively on telephone companies, cases are divided into three groups: Chapter 64 complaints, Non-Chapter 64 complaints, and Chapter 64 suspensions (these distinctions are fully explained below). The performance measures in this report are the same as those used in the recently released "Consumer Services Activity Report". The first measure, consumer complaint rate, shows the relative rate of consumer complaints and is a basic quantitative problem indicator. The two qualitative measures included in this report are response time and justified percent. In addition to these measures, a new measure of justified complaint rate is presented in this report. Justified complaint rate is an evaluative measure which combines complaint rate and justified percent. An explanation of this measure is included in Chapter VI.

The Bureau provides feedback to major telephone companies on these same complaint handling measures in the form of Quarterly Automated Reports Formats (ARFS). Because of this quarterly feedback, all of the companies reviewed in this report are well acquainted with the complaint handling measures used here, with the Bureau's approach to interpreting these measures, and with their performance on these measures in 1990. An explanation of these measures is included (in Chapters IV, V, VI, VII) for readers who encounter them for the first time.

Chapter IX of this report focuses on telephone company failures at complying with the Commission's regulations. Here, the informal compliance process is explained and highlights of the 1990 compliance activity is discussed.

Because this report focuses exclusively on the six major telephone companies, those complaints directed at either non-major companies or interexchange companies are eliminated from the performance measures and analysis presented below in tables 2 through 8. Furthermore, another treatment of telephone case data involves the purging of telephone cases which do not involve residential service since the Bureau's regulatory authority in Chapter 64 is confined to residential accounts. Thus, all cases

that involve commercial accounts are deleted from all performance measures and analysis. Also, non-evaluative cases, cases in which the customer did not contact the company prior to registering a complaint to the Commission, are excluded from analysis in Tables 6 and 8. Also, residential customer contacts which did not require investigation by BCS, such as problems over which the Commission has no jurisdiction, rate protests and routine information requests, are also excluded from Tables 6 and 8. This latter classification of non-investigatory contacts are called inquiries by BCS. Finally, all informal complaints involving the Bell Sales Practices case have been deleted from this report as agreed to in the settlement of the case.

II. POLICY ISSUES

The Bureau is often involved not only with handling consumer complaints but also with addressing policy issues that affect residential telephone customers. Because consumer complaints are the primary way the Bureau is made aware of such policy issues, the Bureau carefully monitors all complaint activity and identifies potential problem areas. Many problems expressed by consumers in their complaints to the Bureau were the basis for the policy issues presented in the 1989 report. While there has been progress resolving some of these issues, there has been little progress with others.

COCOT Enforcement

In 1990, the Bureau of Consumer Services received 85 complaints concerning coin telephones. These complaints are often from customers who unknowingly accessed an Operator Service Provider whose charges exceed that of their chosen carrier. Customers may be particularly surprised to find that they are charged higher Operator Service Provider rates even though they use a calling card from their chosen carrier. Virtually every complaint received by the Bureau of Consumer Services has been justified based on the responses of the owners of the public telephones. The Bureau of Consumer Services is concerned that this indicates that the problems regarding the provision of public coin telephone service and the rates charged for that service are more widespread than indicated by the number of complaints. The Bureau is currently working with the Commission's Law Bureau to enhance enforcement of these important telephone regulations.

900 Numbers

The Bureau of Consumer Services has received 129 consumer complaints disputing both the charges and the services offered by 900 information providers. These services are reached by dialing a number with a "900" area code. The charges for these calls can vary from \$.50 to \$50. While the charges are usually set by the 900 information provider, they appear on the local phone bills. Based on the complaints received by the Bureau, these providers continue to find new gimmicks to market their services. The types of information services have gone from Adult and Gab lines to Rock star lines and most recently Gift or Prize offers which must be claimed via a 900 number. Complaints about these types of calls include not being told there is a charge to call the 900 number, not receiving the gift or prize in response to the call or not being able to obtain the advertised information.

Currently, blocking of 900 numbers is available to most Pennsylvania telephone customers. However, it appears that the availability of the blocking service is not well known. In addition, local exchange carriers are prohibited from suspending or

terminating service for nonpayment of most 900 number charges. During the past year the Commission has taken steps to ensure that 900 numbers are properly billed, and has conveyed to local carriers that it strongly supports a policy of one-time billing adjustments to customers who dispute 900 number charges.

Interexchange Carrier Billing Complaints

The Bureau continues to receive complaints from consumers about interexchange carrier (long distance) charges that are billed by the local exchange carrier. The problem from the customers' perspective appears to be a lack of coordination between the interexchange and local exchange carriers and diffuse responsibility for handling consumer complaints. Between June 1989 and June 1991, the Bureau received approximately 180 complaints of this nature. Many of these complainants were not treated by the local exchange carrier or the interexchange carrier in accord with the Commission's Chapter 64 dispute handling procedures. Moreover, most of the complainants found their way to the Commission even though they were not informed of their right to appeal to the PUC.

Presently, the matter is before the Commission to determine who has responsibility for handling complaints about interexchange carrier charges that are billed by arrangement through the local exchange carrier. The issue involves whether customers can deal with one entity for both local and interexchange carrier complaints or whether interexchange carriers are to handle complaints arising from their services even though the customer is billed for these services by their local telephone company.

Slamming

The term "slamming" describes the unauthorized changing of a residential customer's easy access (1 plus) long distance provider. Typically, a consumer receives a call from someone representing a long distance carrier advocating the benefits of changing to their service. Even though the consumer does not authorize a change, the long distance carrier orders the local exchange company (i.e., Bell, United, GTE) to change the customer's long distance provider. There are other scenarios but the outcome is the same--the customer unknowingly has their long distance service provider changed.

To date, the Bureau has been forced to take a reactive role in consumer complaints about this issue because the Bureau has authority only over the services of local exchange companies. For this reason, the Bureau is only able to require the appropriate change in long distance companies at no charge and remove any inappropriate charges.

While the Bureau received 120 "Slamming" complaints in 1990, the industry reports fielding many more such complaints from their customers. Bell Telephone of Pennsylvania handled over 30,000

customer complaints about unauthorized conversion of their long distance company in 1990. It is obvious, based on this information, that the Bureau receives only a small percentage of the consumer problems in this area.

Commission staff from the Law Bureau and Consumer Services have met with long distance carrier representatives to express concern about this consumer problem and work towards eliminating the unfair practice of "Slamming."

Bell Sales Practices Case

On June 14, 1990 the Commission approved a settlement agreement regarding a deceptive sales complaint filed against Bell of PA by the Office of Consumer Advocate and a prosecutory team from the Commission. The complaint charged that Bell used deceptive sales practices during customer contacts to sell the following optional services: touchtone, call waiting, call forwarding, three way calling, and speed calling. As part of the settlement agreement with the OCA and the Commission, Bell agreed to give their current and former customers who ordered or began to receive services between January 1985 and March 20, 1988 a credit or refund for each of these services. Bell agreed to refund \$35.2 million to customers and contributed \$5 million to create the Telecommunications Education Fund.

Between October and November 1990, Bell distributed over \$25 million in refunds to 975,010 eligible customers. These customers received \$14 for each optional service covered under the settlement agreement. Customers who were not satisfied with the amount of credit or refund or believed they were entitled to full refunds could contact Bell's credit center. The credit center was set up to handle inquiries and disputes as well as additional claims. Bell set aside approximately \$9.5 million in a contingency fund to address these claims. Over \$344,000 in refunds and credits were paid to customers from the contingency fund between October 1990 and May 1991. The remainder of the contingency fund was distributed as a supplemental refund to eligible customers.

The credit center handled over 70,000 customer calls from October 1, 1990 until it closed February 15, 1991. Most of these contacts were inquiries. However, 454 of these contacts were disputes from customers who were dissatisfied with the refund process. These customers were told that they could file a complaint with the PUC if they were not satisfied with the way the center handled their problem.

Consequently, the Bureau began to receive calls and letters from customers regarding their eligibility for either a partial or full refund. One hundred and three customers contacted the Bureau to file a complaint related to the refund process. Most of these customers believed that they were eligible for a refund under the

settlement agreement. Others believed they were entitled to a refund because they had optional services they didn't order. After investigating each claim, the Bureau determined that more than half of these customers were entitled to a refund. As a result of the Bureau's intervention, over \$5,300 was refunded to these customers.

Informal Investigation of GTE North Incorporated Sales Practices

During 1989 and 1990, the Bureau of Consumer Services received complaints from customers of GTE alleging unfair or misleading sales efforts by GTE in marketing its custom calling or optional services. In March 1990, consistent with Section 506 of the Public Utility Code, 66 Pa. C.S. §506 and 52 Pa. Code §3.113, the BCS and the Law Bureau began an informal investigation of GTE's residential sales practices.

After interviewing GTE employees, reviewing numerous documents, and analyzing company sales practices and procedures, the staff concluded that GTE, in marketing optional services packages, failed to fully conform with its tariff and PUC residential telephone regulations.

The PUC's Law Bureau and Bureau of Consumer Services and GTE were able to reach a settlement which received final approval from the Commission on May 17, 1991. Under the settlement, GTE agreed to pay a fine of up to \$300,000 and make refunds to residential customers allegedly billed improperly for optional phone services.

As part of the settlement, GTE agreed to send letters to customers who were billed since January 1988 for "Smarter Call Pak" or "Smartest Call Pak" optional services packages. The "Smarter" package costs \$3.95 monthly and consists of call waiting, call forwarding, three-way calling and speed calling. The "Smartest" call package includes those services plus three others: busy number redial, last number/saved number redial and cancel call waiting. It costs \$5.95 per month. Customers who believe they never ordered the services or who didn't know they had the services may be eligible for refunds.

III. OVERALL COMPLAINT ACTIVITY

The Bureau's customer contacts for the telephone industry fall into two basic categories: inquiries/opinions and consumer complaints. Inquiries and opinions are contacts on file which required no follow-up beyond the initial contact to the Bureau. Many of these customer contacts involved requests for information. Other contacts are rate protests or contacts that require referrals to companies for initial action, referrals to other Commission offices, or referrals to the appropriate agencies outside the PUC.

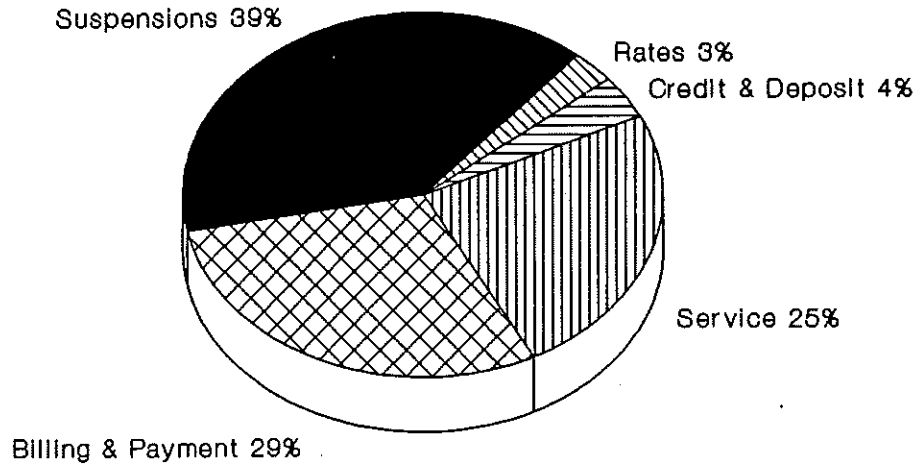
Consumer Complaints

During 1990, the Bureau handled 3,353 complaints from consumers about problems they had with their local telephone companies. Of these consumer complaints, 2,702 were against the six major telephone companies. In 505 of these cases regarding major telephone companies, the Bureau saved customers a total of \$108,191 through billing adjustments. In addition to complaining to the Bureau about local telephone companies, consumers also complained about the problems they had with other entities that provide telephone service. Generally, the problems consumers encounter with other entities are part of an informal complaint filed against either a local company or a long distance company.

The Bureau classifies all telephone consumer complaints into one of five major problem areas. The table below presents a comparison of these five categories in 1989 and 1990. The most common problems are related to suspensions, billing, and service (see Table 1). The portion of suspension cases decreased from 1989 to 1990 while the portion of billing and service complaints increased slightly during this period. The remaining complaints are distributed between the credit/deposits and rates/tariffs complaint categories.

Table 1

Telephone Complaints Primary Problems



Consumer Complaint Handling

The handling of consumer complaints against utilities is the foundation for a number of Bureau programs. The complaint process provides an avenue through which consumers can gain redress for errors and improper treatment by utilities. The Bureau's Field Services Division receives and investigates consumer complaints. Telephone complaints about billing, service, credit, deposits, rates and company operations are handled in the Division's Telecommunications Complaint Unit.

Commission regulations require that customers seek to resolve problems directly with their utilities prior to registering a complaint with the Commission. In view of this, the Bureau seeks to foster improvements in utility complaint handling operations so that complaints will be properly handled by utilities and customers will not find it necessary to appeal to the Commission. Since the Bureau receives complaints from only a fraction of dissatisfied customers, this effort has benefits which go far beyond reducing the Bureau's work load. First, customer complaints to the Bureau may be the result of systemic or recurring problems a utility can address without the Bureau's intervention. The Bureau encourages companies to identify and address these problems before their customers seek the Bureau's assistance. This can benefit many customers and thus reduce the number of customers who are dissatisfied and contact companies to register disputes. Second, improvements in complaint handling save utility resources because customers will not find it necessary to appeal to the Commission. Thus, companies can both expend less of their resources on answering Commission complaints and improve their overall customer relations.

Telephone Complaint Analysis

Telephone complaint handling is evaluated by analyzing telephone complaint statistics that are available through the Bureau's Consumer Services Information System (CSIS). Each telephone case is coded for many variables before it is entered into the CSIS. The coding system enables the Bureau to aggregate cases for selected companies, specific problem areas and so on. As previously mentioned, this report focuses on the Bureau's complaint handling activities relative to the six major telephone companies. Complaint statistics for each major telephone company are analyzed and aggregated into three specific problem areas: Chapter 64 complaints, Non-Chapter 64 complaints, and Chapter 64 suspensions. With the exception of primary problems (Table 1) and telephone complaint rate analysis (Table 2) and (Table 7), the complaint analysis presented in this report is based on telephone complaints which have been closed. The major difference between open and closed telephone cases is a case is considered closed once the Bureau has completed its investigation and presented its findings. Thus, there is sufficient information available on open telephone

cases for only the complaint rate to be calculated. Conversely, because there is more information available on cases that are closed, closed cases are used to identify specific problem areas and evaluate telephone company performance relative to these problems.

IV. TELEPHONE COMPLAINTS

Wide differences in the number of residential customers served by the major telephone companies make comparisons of these companies based on raw numbers of complaints difficult. The need to compare company performance has led to the calculation of a uniform measure, the number of complaints per thousand residential customers, termed the "complaint rate" (see Appendix C for the number of residential customers). Complaint rate data are derived from the number of residential consumer complaints opened by BCS against companies. High complaint rates¹ often indicate situations which require investigation. Thus, information on complaint rates is used to reveal patterns and trends which help to focus BCS research and compliance activities. The discussion below provides an overview of Bureau activity relative to major telephone company complaint rates along with some preliminary findings.

Telephone complaints include all complaints regarding billing, rates/tariffs, credit/deposit, service and suspension. The Commission has established a process in which the companies play the primary role in handling consumer complaints until negotiations between the customer and the company fail. Thus, high rates of complaints to the Bureau can indicate that a company is unable to effectively resolve consumer problems. Alternately, significant decreases in the frequency of problems over time may indicate that a company is improving, assuming utility compliance with Chapter 64 regulations.

Major Companies

The total number of complaints against major telephone companies increased 1% from 1989 to 1990. While there were 2,665 complaints in 1989, the Bureau received 2,702 complaints in 1990 (see Table 2). With the exception of Bell, major telephone companies had more complaints in 1990 than in 1989. Even so, Bell is primarily responsible for this large number of complaints, a trend started in 1988. As with the record number of complaints recorded for 1989, part of this trend in high complaints appears to be a result of continued poor complaint handling by major companies. Also, part of this trend may be due to companies advising more, but not necessarily all, of its dissatisfied customers of their right to appeal to the Bureau.

¹ Complaint Rate =
Total Number of Consumer Complaints / (Monthly Average
Number of Residential Customers / 1000)

Table 2

Residential
Consumer Complaints
Major Telephone Companies
(1989-1990)

Company	1989		1990		1989-1990 Percent Change in N
	N	Complaint Rate	N	Complaint Rate	
Alltel	60	.56	83	.77	38%
Bell	2,316	.67	2,250	.64	-3%
Commonwealth	45	.29	68	.43	51%
Contel	39	.59	63	.92	62%
GTE	115	.34	148	.43	29%
United	90	.38	90	.37	No Change
<hr/>					
Total (Average Rate)	2,665	(.47)	2,702	(.59)	1%

Among the highlights of the past year:

- * Among the six major companies, Contel experienced the largest percentage increase (62%) in complaints from 1989 to 1990. This increase places Contel's complaint rate well above the telephone industry average.
- * Commonwealth's 51% increase in complaints from 1989 to 1990 was next to the largest. In spite of this dramatic increase, Commonwealth's complaint rate is below the industry average.
- * Alltel had the third largest percentage increase in complaints from 1989 to 1990. This is the first time in four years that Alltel did not experience a decrease in complaints.
- * In 1990, GTE experienced its second consecutive increase in complaints and the largest percentage increase for the company in four years.
- * Bell is one of two major companies that did not experience an increase in complaints from 1989 to 1990. However, Bell's complaint rate for 1990 is slightly above the industry average.
- * The number of complaints against United remained stable from 1989 to 1990. United's complaint rate is the lowest among the six major companies.

Chapter 64 Complaints

The Commission implemented 52 PA Code Chapter 64, the "Standards and Billing Practices for Residential Telephone Service" in 1985. Chapter 64 requires companies to provide residential telephone service based on a uniform set of standards and procedures. These regulations govern how companies handle residential account billing, payments, credit, security deposits, suspension, termination, collection, and customer complaints. One important provision of Chapter 64 requires companies to inform customers of their right to contact the Commission if they are not satisfied with the way the company handled or resolved their dispute. Even if the customer is eventually satisfied with the resolution of a dispute, the customer is entitled to appeal rights. Customer contacts that go beyond an initial inquiry are considered disputes and must be recorded as such. If, however, the customer indicates satisfaction with the explanation or resolution at the conclusion of the initial inquiry, the contact is not considered a dispute. If the customer contacts the PUC, the dispute is then an informal complaint. In 1990, telephone customers filed 616 Chapter 64 informal complaints with the Commission. Of course, these informal complaints represent only a fraction of Chapter 64 disputes that customers registered directly with the major telephone companies. Although companies are required to report the total number of disputes handled, it is evident that the dispute statistics reported by companies over the last five years are inaccurate. These inaccurate dispute statistics combined with documented instances of noncompliance with the dispute procedures themselves, leads the Bureau to believe that the number of complaints filed is lower than it would be if both the dispute and reporting procedures were followed correctly. In other words, the Bureau believes that the companies' failure to advise all customers of their due process appeal rights may have kept some customers from complaining to the Commission.

Non-Chapter 64 Complaints

Primarily, informal complaints that deal with matters not covered under Chapter 64, concern problems related to the delivery of telephone service. Many of these complaints deal with matters that are covered under Chapter 63, the "Quality of Service Standards for Telephone," which went into effect July 30, 1988. Chapter 63 establishes uniform service standards and service objectives for local telephone companies. Some of the items covered under these regulations are service installations, local dial service, operator handled calls, and Automatic Dialing Announcing Devices (ADADs). Other problems are not addressed by either the Chapter 63 or Chapter 64 regulations, yet are the subject of informal complaints. Some of these complaints involve problems dealing with the yellow pages, the conduct of company personnel, unsatisfactory telephone numbers and the lack of equal access to long distance carriers. The Bureau, through the Consumer

Services Information System (CSIS), has been tracking complaints related to service problems for the last thirteen years. In 1990, customers filed 793 non-Chapter 64 complaints against the major companies.

Chapter 64 Suspensions

Differences between the standards and billing practices established for electric, gas, and water utility service (Chapter 56) and those established for residential telephone service (Chapter 64) are apparent; particularly where cessation of service is concerned. These differences influence the way the Bureau records and analyzes the data gathered from informal complaints.

One major difference involves categorizing certain complaints as "mediation requests." Informal complaints involving termination of gas, electric or water services are classified as "mediation requests," whereas Chapter 64 informal complaints involving telephone service suspensions or terminations are not.

The distinction between suspension and termination is another difference, with Chapter 64 making the distinction and Chapter 56 not. In Chapter 64, suspension is defined as a temporary cessation of service without the consent of the customer. Termination of service, according to Chapter 64, is the permanent cessation of service after a suspension without the consent of the customer. Most informal complaints relating to the cessation of telephone service are registered during the suspension phase. The Bureau's Consumer Services Information System (CSIS) separates informal complaints involving suspension of telephone services from informal complaints involving termination of telephone services. The data is kept separate for use in certain sections of this report such as analysis of collections. However, where appropriate, in Complaints Analyses for example, the data for both suspensions and terminations are combined.

A third major difference between Chapter 56 and Chapter 64 is the classification of customer contacts involving suspension or termination as disputes. Under Chapter 56, customer contacts with gas, electric or water companies about termination notices are "disputes" if payment terms are not worked out. In contrast, under Chapter 64, a customer contact in response to a suspension notice is a dispute, as the term is defined in §64.2, only if the contact includes a disagreement with respect to the application of a provision of Chapter 64. Where informal complaints involving telephone service suspension are concerned, failure to negotiate a payment arrangement does not in itself mean that a dispute exists. Consequently, in this report, informal telephone complaints to the Commission that are a result of failed payment negotiations have been separated from informal telephone complaints that represent an appeal of a dispute.

Finally, Chapter 64 does not require local exchange carriers to include the Bureau of Consumer Services' phone number on the suspension or termination notice, whereas Chapter 56 does require the other utilities to do so. It is possible that because the phone number for the PUC is not included on the telephone company

notices, some customers with informal complaints regarding cessation of their telephone service do not reach the Bureau. Nevertheless, in 1990, customers facing suspension or termination of one, or any combination of their telephone services -- basic, toll and nonbasic -- filed 922 informal complaints against the major telephone companies.

Specific Problems

In order to evaluate how companies handle specific telephone problems, closed cases were aggregated into three groups: Chapter 64 complaints, Non-Chapter 64 complaints, and Chapter 64 suspensions. Again, the complaint information discussed below is based on closed cases rather than open cases. Therefore, all the cases that are presented in Table 3 are not reflected in the following tables because all cases in Table 2 were not closed at the time this data was aggregated. The following highlights how companies handle complaints that fall into these three categories.

Chapter 64 Complaints

There were fewer Chapter 64 complaints (i.e. billing/ payment & credit/deposit) against major companies in 1990 than in 1989 (see Table 3).

Table 3

Chapter 64
Residential
Consumer Complaints
Major Telephone Companies
(1989-1990)

Company	1989		1990		1989-1990 Percent Change in N
	N	Complaint Rate	N	Complaint Rate	
Alltel	16	.15	14	.13	-13%
Bell	567	.16	511	.15	-10%
Commonwealth	16	.10	12	.08	-25%
Contel	9	.14	14	.20	56%
GTE	38	.11	41	.12	8%
United	25	.11	24	.10	-4%
Total	671		616		-8%
(Average Rate)		(.13)		(.13)	

Non-Chapter 64 Complaints

The number of Non-Chapter 64 complaints against major companies increased 28% from 1989 to 1990 (see Table 4).

Table 4

Non-Chapter 64 Residential Consumer Complaints Major Telephone Companies (1989-1990)

Company	1989		1990		1989-1990 Percent Change in N
	N	Complaint Rate	N	Complaint Rate	
Alltel	28	.26	35	.33	25%
Bell	463	.13	604	.17	30%
Commonwealth	21	.14	32	.20	52%
Contel	18	.27	27	.39	50%
GTE	53	.16	63	.18	19%
United	38	.16	32	.13	-16%
Total	621		793		28%
(Average Rate)		(.19)		(.23)	

Chapter 64 Suspensions

Suspension complaints against major companies decreased by 22% from 1989 to 1990. However, as in the two previous years, there were more suspension complaints against the major telephone companies in 1990 than either Chapter 64 complaints or Non-Chapter 64 complaints. (see Table 5).

Table 5

Chapter 64 Suspensions
Residential
Consumer Complaints
Major Telephone Companies
(1989-1990)

Company	1989		1990		1989-1990 Percent Change in N
	N	Complaint Rate	N	Complaint Rate	
Alltel	15	.14	26	.24	73%
Bell	1,118	.32	824	.23	-26%
Commonwealth	8	.05	13	.08	63%
Contel	5	.08	12	.17	140%
GTE	13	.04	27	.08	108%
United	22	.09	20	.08	-9%
Total (Average Rate)	1,181	(.12)	922	(.15)	-22%

Summary

Although the overall number of complaints against the major telephone companies showed a slight increase from 1989 to 1990, individual companies experienced significant increases in the number of complaints filed against them. In fact, four of the six major companies experienced percentage increases that were well over 20% (see Table 2). As a result of the increased volume of complaints filed against these companies, the average complaint rate for the telephone industry as a whole jumped from .47 to .59 during this period.

V. CASE OUTCOME - JUSTIFIED PERCENT

One of the Bureau's primary goals in regard to telephone companies is to see that companies handle customer disputes effectively before they are brought to the Bureau's attention. This goal is intended to have two positive effects. First, proper dispute case handling minimizes customer dissatisfaction, thus preventing unnecessary complaints to the Bureau. Second, proper dispute handling guarantees that most customer complaints to the Bureau will be resolved in the company's favor. Complaint outcome or resolution is measured in terms of consumer complaints which are found to be valid or "justified." Commission regulations require that telephone customers contact their utilities to resolve their complaints prior to seeking PUC intervention. Although exceptions are permitted under extenuating circumstances such as emergencies, the Bureau's policy is to accept complaints only from customers who have indicated that they have already tried and have been unable to work out their problems with their company. Thus, a BCS case which is "justified" is a clear indication that the company has not handled a dispute properly or effectively, or that the company was in violation of a rule, regulation or law.

Case outcome is used to identify whether or not correct procedures were followed by the utility in responding to the customer's complaint prior to the intervention of the Bureau. Specifically, a consumer's case is considered "justified" in the appeal to BCS if it is found that, prior to BCS intervention, the company did not comply with PUC orders or policies, regulations, reports, Secretarial Letters and tariffs in reaching its final position. There are two additional complaint resolution categories. "Unjustified" complaints are those cases in which the company demonstrates that correct procedures were followed prior to BCS intervention. "Inconclusive" complaints are those in which insufficient records or equivocal findings make it difficult to determine whether or not the customer was justified in the appeal to the Bureau. However, inclusive findings should not restrict companies from reviewing these cases carefully since they may be a source of both present and future problems. The majority of cases fall into either the "justified" or "unjustified" category. The discussion below focuses on those cases which are determined to be "justified."

Major Telephone Companies

As a group, the major telephone companies had fewer complaints that were deemed justified in 1990 than in 1989 (see Table 6). The proportion of justified complaints against companies decreased by 7% from 1989 to 1990.

Table 6

Residential
Justified Percent
Major Telephone Companies
(1989-1990)

Company	Justified Percent		Net Change 1989-1990
	1989	1990	
Alltel	67%	58%	- 9
Bell	65%	54%	-11%
Commonwealth	78%	56%	-22%
Contel	47%	57%	10%
GTE	68%	62%	-6%
United	68%	66%	-2%
<hr/>			
Average Justified Percent	66%	59%	-7%

Among the preliminary findings revealed in Table 6:

- * Contel experienced a 10% increase in the percent of justified complaints from 1989 to 1990, the only increase among the major companies. This increase puts Contel's percent of justified complaints slightly below the industry average.
- * United had 66% of its complaints deemed justified in 1990, the highest percent of justified complaints among the major companies.
- * GTE had the next highest percent (62%) of justified complaints in 1990.
- * Commonwealth experienced a significant decrease in the percent of justified complaints. Commonwealth's percent of justified complaints dropped from 78% in 1989 to 56% in 1990.
- * Alltel experienced a 9% decrease in the percent of justified complaints.
- * Bell's percent of justified complaints improved from 1989 to 1990, the lowest among the major companies. In fact, Bell's percent of justified complaints is well below the industry average.

Summary

Justified complaints represent company failures at complying with Chapter 64 or Chapter 63 regulations and other procedures that govern telephone service. Companies that fail to comply with these regulations and/or procedures are likely to handle customer contacts improperly. In light of this, the percent of justified complaints is a qualitative measure of customer service programs. Generally, the quality of the telephone industry's complaint handling, as measured by the percentage of justified complaints, improved slightly from 1989 to 1990. However, more than half of the complaints filed against companies were not handled properly in 1990. This means that the telephone industry must work harder to insure that all customers are given their rights under the regulations.

VI. JUSTIFIED RATE

In the past, the Bureau presented two distinctly different measures of company performance in handling consumer complaints. First, comparisons of the volume of BCS cases were made using the consumer complaint rate. Second, and more importantly, the effectiveness of a utility's complaint handling was measured using the percent of cases which are justified. Each of these two indicators supports meaningful analysis of company performance. However, both indicators can be independently affected by changes in company policy. Thus, the Bureau's concurrent use of these two measures does not always provide a consistent interpretation of a company's overall performance.

In response to this problem, a performance measure called "justified complaint rate" which reflects both volume and effectiveness, is presented in this report. The formula for justified complaint rate is as follows:

$$\text{Justified Consumer Complaint Rate} = \text{Consumer Complaint Rate} \times \text{Justified Percent}$$

This evaluative measure combines the quantitative measure of consumer complaint rate with the qualitative measure of effectiveness, the justified percent. Consumer complaint rate and justified percent have been evaluated as independent measures in the past. This will continue to be done because each of these measures can be independently affected by company behavior. However, there is a need for a bottom line measure of performance that evaluates company complaint handling as a whole and, as such, allows for general comparisons to be made between companies and across time. The justified complaint rate should satisfy this need.

Major Companies

Overall, major companies were less effective at handling consumer complaints in 1990 than in 1989 (see Table 7). The Bureau is concerned about this apparent decline in the telephone industry's effectiveness at handling consumer complaints.

Table 7

Justified Complaint Rate
Major Telephone Companies

Company	1989	1990	Net Change 1989 to 1990
Major Companies			
Alltel	.38	.45	.07
Bell	.44	.35	-.09
Commonwealth	.23	.24	.01
Contel	.28	.52	.24
GTE	.23	.27	.04
United	.26	.24	-.02
<hr/>			
(Average)	.30	.35	.05

Among the preliminary findings revealed in Table 7:

- * Of all the major companies, Contel was the least effective at handling consumer complaints in 1990. Contel suffered a serious loss in effectiveness from 1989 to 1990. As a result of this, Contel's justified complaint rate ranking is the worst in the industry. The Bureau is very concerned about this serious problem.
- * For the second consecutive year, Alltel had the next to the worst justified complaint rate ranking in the industry. This means that Alltel was one of the least effective companies in 1990.
- * Bell's effectiveness at handling consumer complaints improved from 1989 to 1990. In fact, Bell's justified complaint rate dropped from the highest in the industry to third highest in the industry. The Bureau is encouraged by Bell's improvement.
- * GTE's effectiveness at handling consumer complaints deteriorated in 1990. In 1989, GTE had one of the best justified complaint rates. Unfortunately, GTE's justified complaint rate dropped to third best in 1990.
- * United was more effective at handling consumer complaints in 1990 than in 1989. In fact, United's justified complaint rate was tied for the best in the industry in 1990.

- * Commonwealth was one of the most effective companies in 1990. Commonwealth's justified complaint rate remained somewhat stable from 1989 to 1990. Consequently, Commonwealth retains its justified complaint rate ranking as one of the best in the industry.

Summary

Justified complaint rate is the most important performance measure of customer complaint handling. It is a critical indicator of effectiveness. As a group, the major telephone companies' overall customer service performance declined from 1989 to 1990. Only Bell and United improved their performance during this period. This is disturbing since all companies should be taking the appropriate steps to improve the effectiveness of their customer service operations. The Bureau encourages all companies to take these steps so customer problems are handled properly.

VII. RESPONSE TIME

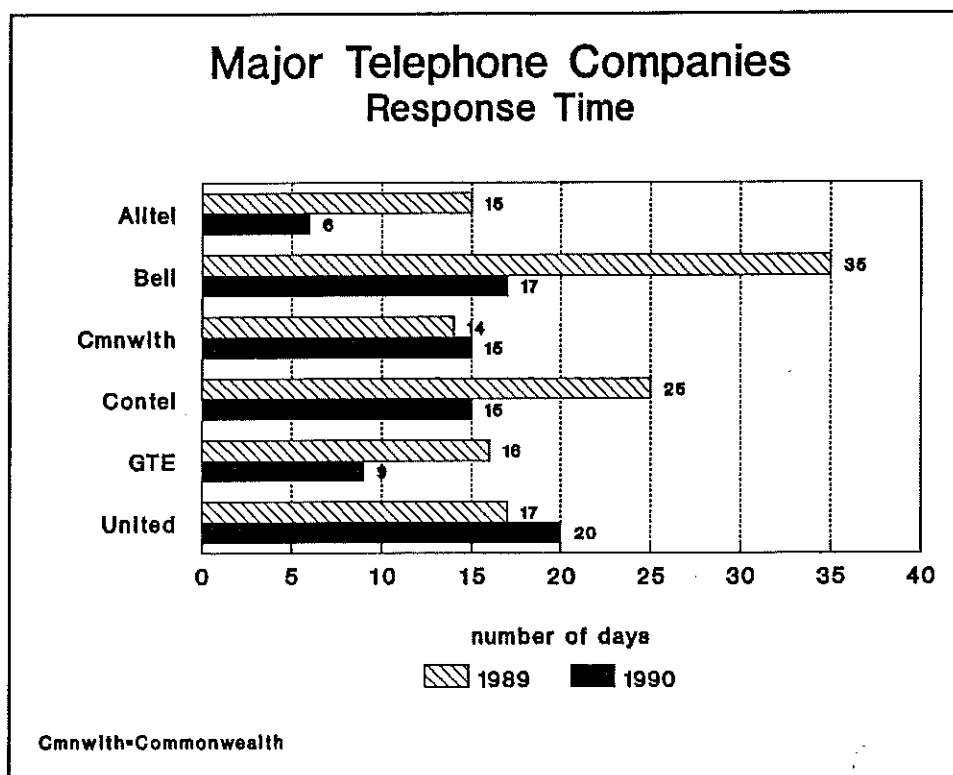
Response time is the time span in days from the date of the Bureau's first contact with the company regarding a complaint to the date on which the company provides the Bureau with all of the information needed to resolve the complaint. Response time quantifies the speed of a utility's response ("responsiveness") in resolving BCS complaints. In this report, response time is presented as the mean number of days for each company.

Response time is important because a short response time may indicate that a company has easy access to complete records and is able to present these records to the Bureau in an organized and understandable format. The complaint records are required by Commission regulations and their routine presence indicates that companies may generally have the resources on hand which are necessary to resolve a dispute before it becomes necessary for the Bureau to become involved. For these reasons, significant improvements or declines in response time performance, as well as failure to improve on conspicuously bad performance, are the focus of the analysis here.

Major Telephone Companies

The telephone industry improved in responsiveness from 1989 to 1990. The average industry response time went from twenty days in 1989 to fourteen days in 1990 (see Table 8). This means that the industry's response time to customer complaints registered with the Bureau was almost a week faster in 1990.

Table 8



Among the preliminary findings revealed in Table 8:

- * United's response time of 20 days was the worst in the industry in 1990. It took United three days longer to respond to customer complaints in 1990 than in 1989.
- * Bell's response time of 17 days in 1990 was less than half of the company's response time for 1989. Moreover, it is the first time in three years that Bell had a response time that was less than one month. Even so, Bell's response time is next to the worst in the industry in 1990.
- * Commonwealth was one of two companies to have their response time increase from 1989 to 1990. Commonwealth's response time was one day longer in 1990 than in 1989.
- * Contel's response time was 10 days faster in 1990 than in 1989.

- * GTE's response time of 9 days was next to the best in the industry in 1990.
- * Alltel's response time was nine days faster in 1990 than in 1989. With this improvement, Alltel's response time was the best in the industry in 1990.

Summary

Overall, it took the major telephone companies less time to respond to consumer complaints in 1989 than in 1990. The industry, with the exception of Commonwealth and United, improved as a whole. These findings are encouraging since it appears that companies are beginning to fulfill their regulatory responsibilities. However, it remains to be seen whether the industry will continue to improve in this area.

VIII. COLLECTION STATISTICS

For the last six years, the Bureau has been monitoring the telephone industry's collection activities through its billing and collection statistics. This information is reported by all local telephone companies in response to the reporting requirements outlined in 52 PA Code Chapter 64, the "Standards and Billing Practices for Residential Telephone Service" (see Appendix C). Under these requirements, all local telephone companies must annually provide the Bureau with account information related to residential billing and collections. However, the Bureau has found that these requirements are inadequate in view of the current status of telephone customer service activities relative to these areas. For example, the reporting requirements do not reflect the use of multiple balances for billing basic, nonbasic, and toll services. This problem is further compounded by the fact that current reporting by local exchange carriers does not distinguish between amounts owed and written off for LEC provided services from the amounts owed and written off as a result of services provided (and the risk covered) by interexchange carriers, but billed by arrangement by the LEC's. The result of these reporting deficiencies is that the Bureau cannot assess the true financial risk of the local exchange carriers. In addition, the Bureau is unable to determine the sources contributing to the risk (basic, nonbasic or toll services). Thus, the Bureau is unable to evaluate important aspects of the telephone industry's collections practices because the data does not reflect the use of multiple balance billing. For this reason the Bureau will continue to seek changes to the current reporting requirements.

It is important to evaluate telephone billing and collection activities for two reasons. First, the analysis of suspension and termination statistics can be used to help insure that companies are complying with Chapter 64 regulations and treating customers fairly. Second, the analysis of statistics related to bills, overdue accounts and write-offs supports evaluation of the efficiency and effectiveness of telephone company collections activities. These evaluations can contribute directly to more effective regulatory activities by the Bureau, better compliance by companies and better treatment for customers. All of these can reduce company expenses in the long run. In short, the telephone billing and collection statistics provided by companies and the telephone complaint data are tools for assessing or evaluating company performance in customer services and recommending company improvement in problem areas.

The quality of the statistics reported by companies has shown little improvement. As with last year, there is still considerable uncertainty about the reliability and accuracy of this information. Companies are not uniformly collecting or reporting the statistics for the data items listed at §64.201. Unfortunately, there are numerous examples of this problem. For example, two companies, GTE

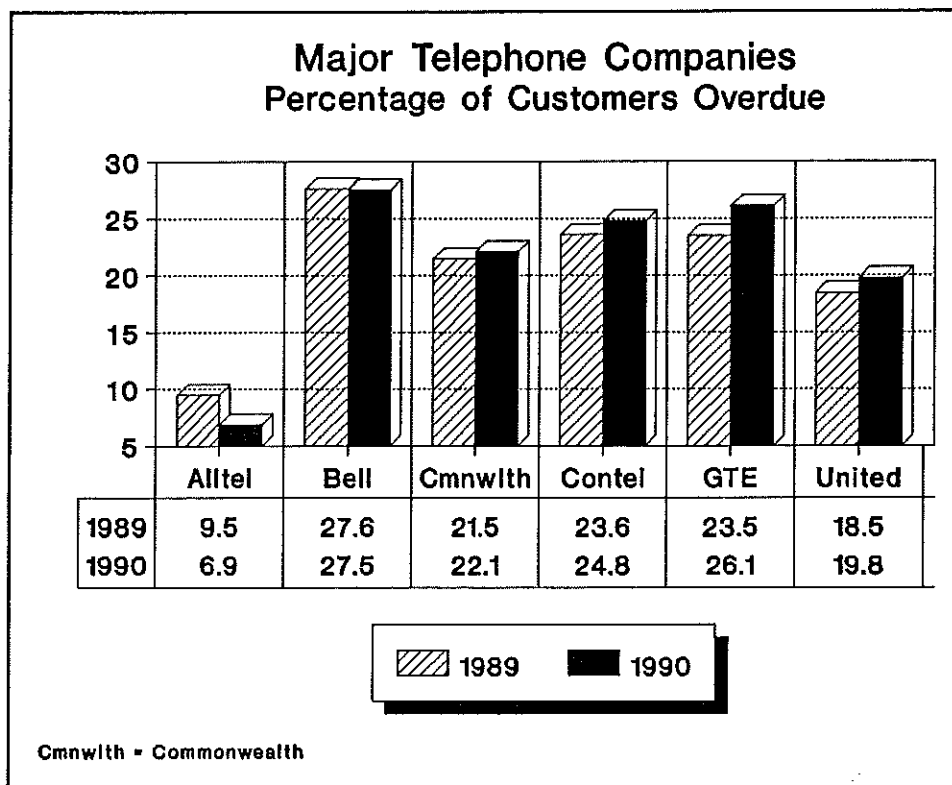
and Commonwealth, acknowledged that they provided the Bureau with estimated figures for 1990. Another example of this problem is Alltel's method for calculating the number of customers overdue. Instead of using the actual number of customer accounts that show a balance, Alltel counts only those customers who have received either a reminder or suspension notice. Consequently, Alltel's number of overdue accounts for 1990 is understated. In addition, major companies claim that they are unable to modify or develop accounting systems that will produce actual residential collection data.

As previously mentioned, the collection data requirements under which reporting is done at §64.201 do not reflect the current status of telephone collections. These requirements were drafted prior to divestiture. Thus, changes to the telecommunications environment that occurred after divestiture are not reflected in the reporting requirements. The Bureau has attempted to secure data reports for average monthly bills, overdue bills, and write-offs in multiple balance format through voluntary compliance. Clearly, reporting requirements need to be revised to reflect the post-divestiture regulatory environment. The conclusions below regarding overdue accounts, terminations, weighted arrearages, and disputes are generally sound. Unfortunately, the Bureau cannot do a complete analysis of telephone companies' service suspensions and write-offs because this data is not reported in the multiple balance format. Therefore, the Bureau will not be able to provide the Commission with a thorough assessment of the telephone industry's collection activities until companies provide accurate collection statistics in the appropriate format.

Overdue Customers

In an average month in 1990, there were 1,162,670 telephone customers behind in paying their telephone bills. Comparisons among companies of the number of telephone customers who are in arrears can not be made purely on a numerical basis because of substantial differences in company size. Thus, the percentage of customers who are overdue is used to eliminate this variation. This statistic can be used to monitor how well telephone companies are managing overdue accounts and to indicate the level of risk that companies face. In practice, the percentage of customers who are overdue reflects a company's relative success at collecting its unpaid bills (see Table 9).

Table 9



Among the preliminary findings revealed in Table 9:

- * Bell's percentage of customers overdue remained stable from 1989 to 1990. Even so, Bell had the highest percentage of overdue customers for the fourth consecutive year.
- * GTE experienced the largest increase (11%) in the percentage of customers overdue from 1989 to 1990 and the second highest percent of customers overdue in 1990.
- * Contel had the third highest percentage of customers overdue in 1990.
- * United's percentage of overdue customers increased 7% from 1989 to 1990. However, United had the second lowest percentage of customers overdue in 1990.

* Alltel had the lowest percentage of customers overdue in 1990 as well as the largest decrease in the percentage of overdue customers from 1989 to 1990. Unfortunately, Alltel's data cannot be directly compared to the other major companies since Alltel's number of customers overdue is based on only the number of accounts that receive a reminder or suspension notice. Thus, the number of customers overdue is understated. The Bureau will take action to correct this problem by counting all accounts that show an amount overdue as the regulations require.

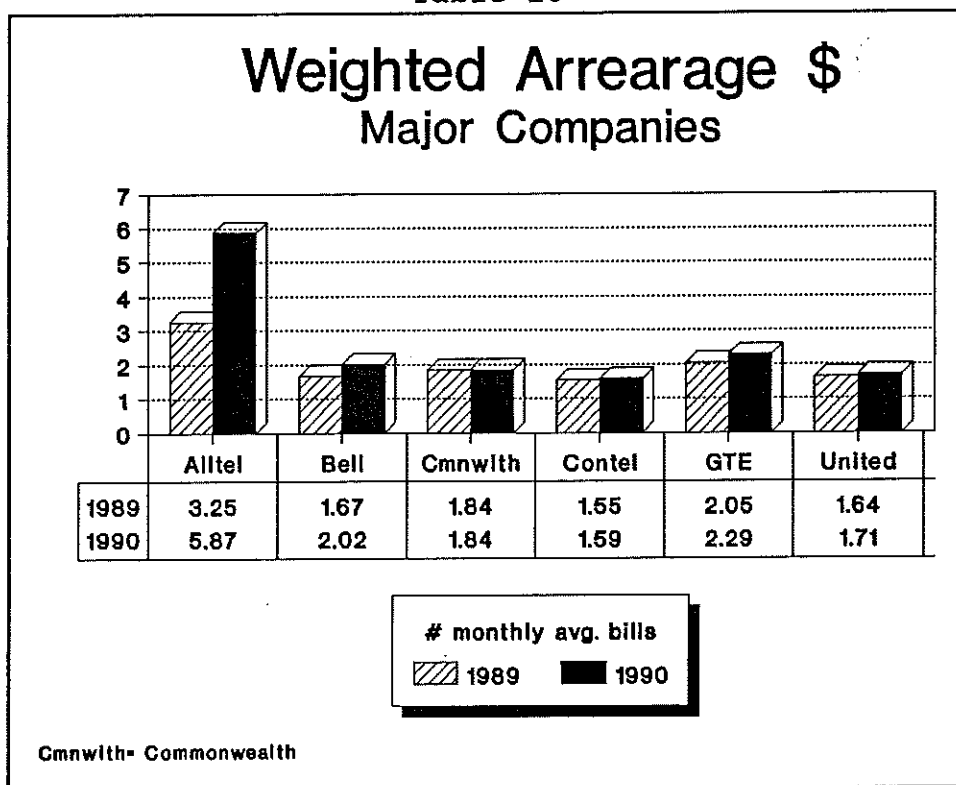
All in all, the percentage of customers overdue remained somewhat stable from 1989 to 1990. Nevertheless, the percentage of customers overdue in 1990 is significant because of the level of potential risk overdue bills present. Again, only through more effective collection policies can companies reduce the number of overdue customers and eliminate the potential risk of uncollectible bills.

Weighted Arrearage

The amount of money owed by overdue residential customers may indicate the financial risk faced by individual telephone companies. These amounts varied substantially from company to company in 1990. Therefore, the statistic called weighted arrearage is used to make comparisons of the extent of payment problems among companies. The weighted arrearage balances out the differences in arrearages which are due to differences in bill amounts. Weighted arrearage is calculated by dividing the monthly average overdue bill by the monthly average bill. Thus, the effectiveness of telephone company collection activities can be evaluated by identifying the number of average bills in the average overdue bill.

The Bureau's research shows that it is difficult to collect bills which have gone unpaid for a long time. In general, the older the arrearage the greater the risk that the account will be written-off. Thus, the lower the weighted arrearage score the better the collection system performance. Weighted arrearage is used in Table 10 to compare individual company collection practices to each other and for tracking individual companies over time.

Table 10



Among the preliminary findings revealed in Table 10:

- * The average weighted arrearage score for the major companies increased dramatically from 1989 to 1990. Alltel is chiefly responsible for this dramatic increase.
- * As a result of Alltel's startling 80% increase from 1989 to 1990, the company has the worst weighted arrearage score recorded for major telephone companies in the last three years. Moreover, Alltel's weighted arrearage score shows that the company's average overdue bill represents nearly six months of average bills. Changes in the company's collection policy during this period had a negative impact on the company's ability to collect unpaid bills. Specifically, the company's decision to increase the dollar threshold which initiates suspension notices had the effect of reducing the number of suspension notices. Consequently, customer payments decreased. It is evident the company needs to reconsider its collection policy.
- * Bell had the second largest increase in weighted arrearage, a 21% increase from 1989 to 1990.
- * GTE's weighted arrearage score (2.29) was next to the worst in the industry in 1990 for two consecutive years.
- * In contrast, United's weighted arrearage score (1.71) was next best for two consecutive years.
- * Commonwealth's weighted arrearage score (1.84) remained stable from 1989 to 1990.
- * Contel had the best weighted arrearage score in 1990, which was nearly half the industry average.

Overall, the weighted arrearage scores show that none of the major companies improved in this area. In 1990, the average overdue bill for the telephone industry represented nearly three months of average bills. Since it is harder for companies to collect older arrearages, the older the arrearage the more likely it will be written-off. Thus, it appears from the industry's 1990 weighted arrearage scores that, as a group, the industry collection performance has deteriorated. In particular, Alltel's weighted arrearage score is not only the highest in 1990, but also the highest recorded score in the last three years.

Suspension of Basic Telephone Service

Suspension is the temporary cessation (i.e., interruption) of telephone service without the customer's consent and is typically due to the customer's failure to pay their bills in a timely manner. Companies must follow proper suspension procedures as outlined in Chapter 64 before a customer's service can be suspended for nonpayment. In addition to the disruption which suspensions cause customers, a significant financial impact occurs to both the customer and the company. First, significant costs are incurred by the company through sending notices, making contacts with customers and carrying out suspension. Second, customers are required to pay substantial fees to secure reconnection of their service. This points to the need for a long-term analysis of suspension statistics and suspension practices. Therefore, it is important to examine suspension statistics which reflect the extent to which suspension is used (see Table 11).

As previously mentioned, there is little uniformity in how companies report their suspension data. Three of the six major companies (Alltel, Bell and Contel) can identify how many basic service suspensions they have in a given month. The remaining three companies (GTE, United and Commonwealth) cannot identify the number of basic service suspensions in a given month. Therefore, the service suspension figures for GTE, United, and Commonwealth are artificially higher than those reported for Alltel, Bell, and Contel because they include basic, nonbasic and toll suspensions. In order to correct this problem, the Bureau will recommend that companies be required to report basic, nonbasic, and toll service suspensions as separate items in upcoming reports to the Commission.

Table 11

Number of
Residential Service Suspensions

Company	1989	1990	Percent Change 1989-1990
Alltel	10,428	8,388	-20%
Bell	384,564	318,072	-17%
Commonwealth	14,592	17,484	20%
Contel	3,708	4,776	29%
GTE	15,012	30,960	106%
United	15,588	18,084	16%
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TOTAL	443,892	397,764	-10%

Among the preliminary findings revealed in Table 11:

- * GTE had a record number of suspensions in 1990. In fact, it appears that the company more than doubled its suspensions from 1989 to 1990. However, this increase in the number of suspensions is partly due to GTE's use of actual data rather than estimates. Also, the company believes that this increased volume can be attributed to suspensions related to the use of 900 service.
- * Contel had the second largest increase (29%) in the number of suspensions from 1989 to 1990. Apparently, Contel's stricter collection procedures resulted in more suspensions in 1990.
- * United experienced a substantial increase (16%) in the number of suspensions for the second consecutive year.
- * Commonwealth had nearly three thousand more suspensions in 1990 than in 1989. Commonwealth attributes this increase to a larger customer base, elimination of presuspension calls and poorer economic times.
- * Alltel experienced a significant decline (20%) in the number of customers the company suspended from 1989 to 1990. This decline is apparently related to changes in the company's collection policy and may have contributed to the company's enormously high weighted arrearage.
- * Bell experienced a decline (17%) in the number of suspensions from 1989 to 1990.

Suspension Rate

There were over 397,000 residential suspensions in 1990. The number of suspensions is substantial, but it does not permit easy comparisons among companies. As is true with other performance measures, differences in company size make it difficult to compare companies based on raw numbers of suspensions. Thus, a uniform measure is calculated to compare how often companies resort to suspension of residential service. The suspension rate, as shown in Table 12, is calculated by dividing the annual number of suspensions by the monthly average number of residential customers. This rate represents the percentage of residential service suspensions.

Table 12

Suspension Rate#

Company	1989	1990	Percent Change 1989-1990
Alltel	9.80%	7.79%	-21%
Bell	11.12%	9.06%	-19%
Commonwealth	9.56%	11.17%	17%
Contel	5.56%	6.96%	25%
GTE	4.40%	8.95%	103%
United	6.56%	7.43%	13%
Average+	7.83%	8.56%	9%

Annual suspensions as a percentage of the monthly average number of residential customers

+ Mean of Scores

Please Note: Suspension rates for Alltel, Bell, & Contel, represent basic service suspensions. Suspension rates for Commonwealth, GTE, and United include basic, nonbasic, and toll service suspensions.

On a whole, the suspension rate for the telephone industry was higher in 1990 than in 1989. Only two major companies, Alltel and Bell, experienced a drop in their suspension rate. All the other major companies (Contel, Commonwealth, GTE and United) experienced an increase in their suspension rates during this period. GTE had the largest increase among these companies.

The overall number of telephone service suspensions increased from 1989 to 1990. This trend is discouraging since it appears that more customers lost phone service during 1990. It is difficult to tell whether suspensions for basic service decreased for most major companies since only half the companies report basic service data. The Bureau will work with these companies to see if separate statistics for basic, nonbasic, and toll suspensions will be available for upcoming reports.

Termination of Service

Termination is the permanent cessation of service that occurs after service has been suspended. Companies have more suspensions than terminations because customers must go through the suspension process before their service is terminated. Many suspended customers pay their bills and avoid termination. Once termination takes place the person ceases to be a customer. If the terminated party wishes to reestablish service he or she must apply for service as a new applicant - under 52 PA code, Chapter 64 - with rights which are more limited than when they were a customer. This requirement makes it important to examine both service suspensions and terminations. The major telephone companies terminated 123,288 residential customers in 1990 (See Table 13).

Table 13

Termination of Service

Company	1989	1990	Percent Change 1989-1990
Alltel	2,496	2,568	3%
Bell	106,860	104,796	-2%
Commonwealth	2,808	2,868	2%
Contel	1,092	1,068	-2%
GTE	5,556	6,324	14%
United	4,524	5,664	25%
Total	123,336	123,288	No Change

Among the preliminary findings revealed in Table 13:

- * The overall number of service terminations for the telephone industry remained stable from 1989 to 1990.
- * United experienced the largest increase (25%) in service terminations from 1989 to 1990. This is the first time in the last three years that United reported an increase in its number of service terminations.
- * GTE experienced the second largest increase (14%) in the number of terminations from 1989 to 1990.
- * Alltel and Commonwealth experienced only a slight increase in their number of terminations from 1989 to 1990.
- * Only two major companies, Bell and Contel, terminated fewer customers in 1990 than in 1989.

Termination Rate

A uniform measure was calculated to compare how often companies terminate residential service. As with the suspension rate, the termination rate represents the percentage of residential customers who are terminated. The termination rate, as shown in Table 14, is calculated by dividing the annual number of terminations by the monthly average number of residential customers. For example, if the termination rate is 4% then it means that the equivalent of 4% of the residential customers are terminated annually (see Table 14).

Table 14
Termination Rate#

Company	1989	1990	Percent Change 1989-1990
Alltel	2.35%	2.38%	1%
Bell	3.09%	2.98%	-4%
Commonwealth	1.84%	1.83%	-1%
Contel	1.64%	1.56%	-5%
GTE	1.63%	1.83%	12%
United	1.90%	2.33%	22%
<hr/>			
Average+	2.07%	2.15%	4%

Annual terminations as a percentage of the monthly average number of residential customers.

+ Mean of Scores

Among the preliminary findings revealed in Table 14:

- * Over two percent of residential telephone customers had their telephone service terminated in 1990.
- * Bell's termination rate has been on a steady decline for the last three years. Even so, Bell had the highest termination rate among the six major companies in 1990.
- * Alltel's and Bell's termination rates were above the industry average in 1990.
- * United, with a 22% increase from 1989 to 1990, had the third highest termination rate in 1990.
- * Commonwealth and GTE's termination rates are tied for next to the lowest in the industry in 1990.

- * Contel went from having the second lowest termination rate in 1989 to having the lowest termination rate in 1990.

The major telephone companies increased service terminations by 4% from 1989 to 1990. As in the past, it is difficult for the BCS to determine how many basic service suspensions ended in terminations because of the way companies collect and report their residential suspension data. Since last year, the BCS has discovered that GTE and Commonwealth have provided data that was based on estimates rather than actual data. The Bureau will work with these companies to obtain actual suspension data and with all major companies to obtain this data separated into basic, nonbasic, and toll service categories.

Residential Billings Written-Off
As Uncollectible

Overdue accounts directly affect the cost of utility service in two ways. First, the cost of collecting hundreds of thousands of unpaid bills is substantial. Second, once accounts are terminated, companies may issue a final bill for the amounts that are owed. If companies are unable to collect final bills they may write these amounts off as an uncollectible expense. These expenses are passed through in rates and increase the cost of service for all customers. The largest portion of unpaid telephone bills is toll service. Major companies reported that 58% of their overdue bills were due to unpaid toll services. Much of the unpaid toll service is due to service provided by long distance companies and other service providers. Long distance companies and other phone service providers may contract with local phone companies to bill and collect these toll charges. Most major companies have contracts with these long distance companies for collecting unpaid toll bills. Whatever is not recovered by the local companies is sent back to the long distance companies as an uncollectible expense. It is difficult for the Bureau to determine what portion of unpaid toll service is really an uncollectible expense for local companies since companies do not provide a breakdown of bills, revenues, or write-offs by basic, local toll and long distance toll service charges.

Uncollectibles can be presented as either gross write-offs or net write-offs. Gross write-offs are the amount of money in overdue accounts written-off as uncollectible for the entire calendar year. Net write-offs are gross write-offs minus the amount of any previously written-off amount which was recovered by the company during the year. In 1990, telephone companies reported over \$56 million in gross write-offs and \$45 million in net write-offs. Write-offs (within limits) are treated as an expense for rate purposes. This means that these losses are reflected in rates that customers pay. In other words, the bulk of these losses will be recovered through rates rather than from the customers who did not pay their bills. However, the exact impact of write-offs on telephone rates is not reflected here since not all of these statistics are reported accurately by companies. In addition, companies should provide these statistics by multiple balances so the Bureau can assess the impact of uncollectibles on residential rates.

In order to measure and compare the electric and gas industry collection system performance relative to uncollectible accounts, the Bureau has historically used the statistic, "percentage of revenues written-off as uncollectible." The BCS also uses the percentage of revenues written-off as uncollectible to measure and compare the telephone industry's collection system performance. However, the BCS modifies this statistic by using net write-offs

instead of gross write-offs. Thus, the percentage of revenues written-off as uncollectible for telephone companies is calculated by dividing net write-offs by gross revenues. Telephone companies' net write-offs are used because they reflect amounts actually lost. Thus, the BCS can better measure the effectiveness of the telephone industry's ongoing collection activities (see Table 15).

Table 15

Percentage of Residential Billings
Written-Off As Uncollectible

Company	1989	1990	Percent Change 1989-1990
Alltel	1.30%	1.41%	8%
Bell	2.79%	2.23%	-20%
Commonwealth	1.27%	1.23%	-3%
Contel	1.27%	1.05%	-17%
GTE	1.48%	2.19%	48%
United	1.03%	1.08%	5%
Average+	1.52%	1.53%	1%

+ Mean of Scores

Among the preliminary findings revealed in Table 15:

- * Despite Bell's 20% reduction in residential net write-offs, Bell had the highest percentage of revenues written off in 1990. This means that Bell had the highest percentage of revenues written off from 1987 to 1990. Bell attributes much of this increase to an apparent increase in overall toll billings and 900 service usage.
- * GTE had a 48% increase, which resulted in the company not only having the second highest percentage of revenues written-off, but also having a percentage of revenues written-off that was well above the industry average in 1990.
- * Alltel's write-off percentage was below the industry average in 1990.
- * Commonwealth's write-off percentage was well below the industry average in 1990.
- * United and Contel both had percentages of revenues written-off that were well below the industry average. However, Contel had the lowest write-off percentage in 1990.

Disputes

In addition to requiring that telephone companies report billing and collection statistics, Chapter 64 requires that local telephone companies report the number of disputes they handled each year. Chapter 64 defines a "dispute" as a disagreement between an applicant, a customer, or a customer designee and a local exchange carrier with respect to the application of this chapter including but not limited to credit determinations, deposit requirements, the accuracy of amounts billed or the proper party to be charged. If a customer indicates dissatisfaction at the conclusion of an initial inquiry, then the company must treat the contact as a dispute and maintain a record of the contact. Companies are also required to inform customers of their right to appeal to the Commission if they are not satisfied with how the company handled their dispute. A customer dispute becomes an informal complaint when the customer contacts the Commission.

Again, there is uncertainty underlying the accuracy of reported dispute statistics. Only recently does it appear that companies are reporting dispute statistics which are more in line with the number of Chapter 64 complaints the Bureau received. As previously mentioned, the 661 Chapter 64 complaints received in 1989 represent only a fraction of disputes registered by customers with major companies. When a company fails to report a number of disputes equal to the number of Chapter 64 complaints its customers have registered with the Bureau, then it is obvious that it has failed to maintain and report accurate dispute statistics. The

Bureau believes this is one indication that dissatisfied customers are not being advised of their right to appeal to the Commission. Documented instances of noncompliance with the dispute provisions combined with inaccurate dispute statistics reported by companies over the last four years raise the concern that many customers were not advised of their due process appeal rights. This not only reduces the number of informal complaints received by the Bureau but also casts serious doubts about the accuracy of company dispute data.

Dispute Rate

According to company data, 53,867 customers had disputes with the six major companies. The raw number of disputes does not permit easy comparisons between companies. As is true with other performance measures, differences in company size make it difficult to compare companies based on raw numbers alone. Thus, a uniform measure is calculated to compare how often customers register disputes with a company. The dispute rate, as shown in Table 16, is the number of disputes per thousand residential customers (see Appendix C for the number of residential customers). The "dispute rate" is calculated by dividing the annual number of disputes by the monthly average number of residential customers.

Table 16

Chapter 64 Disputes
Residential
Consumer Disputes
Major Telephone Companies
(1989-1990)

Company	1989		1990		1989-1990 Percent Change in N
	N	Dispute Rate	N	Dispute Rate	
Alltel	52	.49	90	.84	73%
Bell	35,683	10.32	49,783	14.18	40%
Commonwealth	863	5.65	890	5.69	3%
Contel	318	4.77	235	3.43	-26%
GTE	1,551	4.55	2,360	6.82	52%
United	522	2.20	509	2.09	-2%
Total	38,989		53,867		38%
(Average Rate)		(4.66)		(5.51)	

Among the preliminary findings revealed in Table 16:

- * Four of the six major companies experienced an increase in the number of recorded disputes from 1989 to 1990.

- * Alltel had the largest increase in the number of recorded disputes from 1989 to 1990. It appears that Alltel may be keeping better dispute records.
- * GTE experienced a substantial increase (52%) in the number of recorded disputes from 1989 to 1990, the second largest among the major companies.
- * Bell had a record number of recorded disputes in 1990 which represents a 40% increase from 1989. This increase is not surprising since it is apparently due to continued improvements in the way the company has been identifying and maintaining dispute records.
- * Commonwealth had a slight increase (3%) in the number of recorded disputes. In contrast, United had a slight decrease (2%) in the number of recorded disputes.
- * Contel experienced the largest decrease in the number of recorded disputes from 1989 to 1990. This is unusual since the company had more informal complaints that were related to Chapter 64 in 1990 than in 1989.

Overall, it appears from the findings presented here that major companies as a group have not improved in the area of collections. However, individual companies have shown some welcomed improvements in specific problem areas. For example, after six years it appears that Bell is finally identifying and maintaining better dispute records. Unfortunately, it is difficult for the Bureau to do comparative analysis in individual company performance in some areas, such as suspensions and disputes, because of the reliability and accuracy of this data. Moreover, this collection data is not reported in the formats that would enable the Bureau to do such analysis. In light of this, the findings and conclusions presented here focus on individual company performance. However, the Bureau will continue to pursue its efforts to secure accurate collection data so it can monitor and evaluate telephone company collections.

IX. COMPLIANCE

The Pennsylvania Public Utility Commission (PUC) has numerous obligations to fulfill and competing interests to balance as it regulates the many different types of public utilities in the Commonwealth. Among the primary obligations of the PUC is protecting the interests of residential utility consumers. Fulfillment of this obligation, as it affects residential telephone customers, has been facilitated with the implementation of the Chapter 64 residential telephone service regulations. These regulations, adopted in August 1984, have been in effect since January 1, 1985 and govern the approximately 42 local exchange carriers operating in Pennsylvania. It is, in large part, through the handling of consumer complaints and the enforcement of these residential telephone service regulations that the Commission is able to protect the interests of residential telephone consumers.

The Bureau of Consumer Services (BCS) is the Bureau within the PUC responsible for investigating and reporting on all informal consumer complaints relating to residential fixed utility service. The work of the BCS now includes efforts to insure that local exchange carriers are conforming with the standards of conduct codified in the Commission's Chapter 64 telephone regulations. The purpose of Chapter 64, as stated in Section 64.1, is to "...establish and enforce uniform, fair, and equitable residential telephone service standards governing account payment and billing, credit and deposit practices, suspension, termination, and customer complaint procedures."

This portion of the report describes in general terms the three methods used by the BCS to effect utility compliance with the Chapter 64 regulations. A more detailed description of the three methods can be found in Appendix A of the Telephone Activity Report - 1988. Additionally, this portion of the report presents the informally verified violation findings which have been gleaned from informal consumer complaints filed with the Commission during the calendar years 1989 and 1990. The information will demonstrate that the compliance process for Chapter 64 parallels the Chapter 56 compliance process and is a forthright and reasonable process that enables the PUC to fulfill its enforcement responsibilities relative to Chapter 64.

BCS Compliance Methods

Approving proposed regulations and ordering their adoption and institution is only part of the process by which the PUC fulfills its function to protect the interest of residential utility consumers. It must also assure that those governed by the regulations adhere to the standards and practices set forth in the regulations. In order to ensure that the local exchange carriers act in accordance with these Chapter 64 standards and adapt their practices to the rules, the BCS uses a demonstrated system of

effecting compliance. The three primary methods that the Bureau of Consumer Services uses to monitor and enforce compliance with the Chapter 64 regulations are the same methods that have been successfully used to monitor and enforce compliance with the Chapter 56 regulations. The Bureau of Consumer Services designed these methods to be straightforward and complementary. As has been demonstrated in the past and documented in previous Consumer Services Compliance reports, these methods have successfully forced public utilities under Chapter 56 to adopt and consistently implement practices which ensure compliance with the service standards found in Chapter 56. Similarly, the Bureau's aim in using these methods for Chapter 64 is to ensure compliance with the uniform, fair, and equitable residential telephone service standards found in Chapter 64.

Because of its ongoing and central nature, the informal compliance notification process is the keystone of the Bureau's compliance efforts. A second method available to the Bureau for compliance enforcement is the consumer services review program. This audit-oriented approach has yet to be used to evaluate a telephone company and analyze its customer services operation. The third means used by the BCS to compel utility compliance with Chapter 64 is to recommend the initiation of a formal complaint against a troublesome utility. The Bureau takes this course of action when the informally verified data show continued poor performance by a particular utility and when BCS records indicate the utility has failed to implement corrective measures. To date, the Commission has initiated just one formal complaint against a telephone company; that was against Bell of Pennsylvania in 1990. As with formal complaints filed against other utilities, this formal complaint reflects the utility's failure to properly address its compliance problems through the BCS' informal compliance notification process. The formal complaint is pending.

Recently the Bureau, in conjunction with the Law Bureau, employed yet another means to enforce compliance with Commission regulations; that is, the informal investigation. The Commission is authorized by law to conduct informal investigations in appropriate circumstances regarding the condition and management of a public utility. The provisions of 52 Pa Code §3.113 adopted May 12, 1989, set forth procedures regarding the termination of an informal investigation. These legal constraints legitimize the informal investigation as an effective method of compliance. In 1990, the BCS, after receiving consumer complaints indicative of unfair and misleading sales efforts in the marketing of optional custom calling services, conducted with the Law Bureau an informal investigation into GTE's sales practices. The PUC's law and consumer services bureaus and GTE reached a settlement that was approved by the Commission in May 1991. Under the settlement, GTE agreed to pay a fine of up to \$300,000 and make refunds to residential customers allegedly billed improperly for optional phone services.

Informal compliance notifications or letters provide local exchange carriers with specific examples of apparent violations of Chapter 64 so that companies can use the information to pinpoint and voluntarily correct deficiencies in their customer services operations. The informal compliance notification process uses consumer complaints to identify, document and notify utilities of apparent violations. A utility which receives notification of an apparent violation has an opportunity to refute the facts which support the alleged violation of Chapter 64. Failing a satisfactory refutation by the utility, appropriate corrective action is to be taken to prevent further occurrences of the violation. Appropriate corrective action usually involves modifying a computer program, revising the text of a notice, a billing, or a letter; changing a company procedure, or providing additional staff training to ensure the proper implementation of a sound procedure. Additionally, informal compliance communications provide companies with an opportunity to secure written clarification of any provision of Chapter 64.

On another level, informal violations in the aggregate enable the BCS to:

- (1) identify patterns and trends prior to a Consumer Services Review so that an appropriate list of interview topics can be developed;
- (2) prepare a Formal Complaint against a troublesome local exchange carrier; and
- (3) monitor the effectiveness of corrective action taken by local exchange carriers as a result of the application of any of the BCS compliance methods.

The data obtained through the informal compliance notification process is fundamentally important and demonstrates the complementary nature of the BCS' compliance methods.

Informal Compliance Findings

The data analyzed in this section have been gleaned from the informal complaints filed with the PUC by residential telephone customers during 1989 and 1990. The violation statistics for the major telephone companies are presented by company and year in Table 17 and Table 18.

The Bureau of Consumer Services views each informally verified violation as an error signal. Using this perspective, a single infraction can be indicative of a system-wide misapplication of a particular section of the regulations. Because of consumers' reluctance to complain, and because the PUC gets involved with only a small fraction of the total number of complaints to companies, there is sufficient reason to believe that there are numerous violations occurring which will go undetected by the PUC.

Several considerations are important to keep in mind when viewing the aggregate figures. First, the data pertaining to the number of violations does not take into consideration the cause of the individual violations. Some violations, because of their systematic nature, are indicative of ongoing or repetitive violations. Other violations may involve threats to the health and safety of telephone customers, thereby increasing their seriousness.

For these reasons, when evaluating a company's compliance performance, the aggregate figures presented in Table 17 may be considered by the BCS along with other information which is case specific. The value of the aggregate figures is in depicting apparent gross trends over time and pointing out deviations in performance within the industry. The value of analyzing individual violations is that one or a few violations may provide an indication of widespread compliance problems that may not be depicted by viewing the aggregate figures.

A final consideration to keep in mind when viewing violation figures is that as performance measure, they are most important because they indicate infractions of PUC regulations. Therefore, while a company may take note of a significant decrease in the number of verified violations, it should be kept in mind that the criterion for entirely satisfactory compliance performance is zero violations.

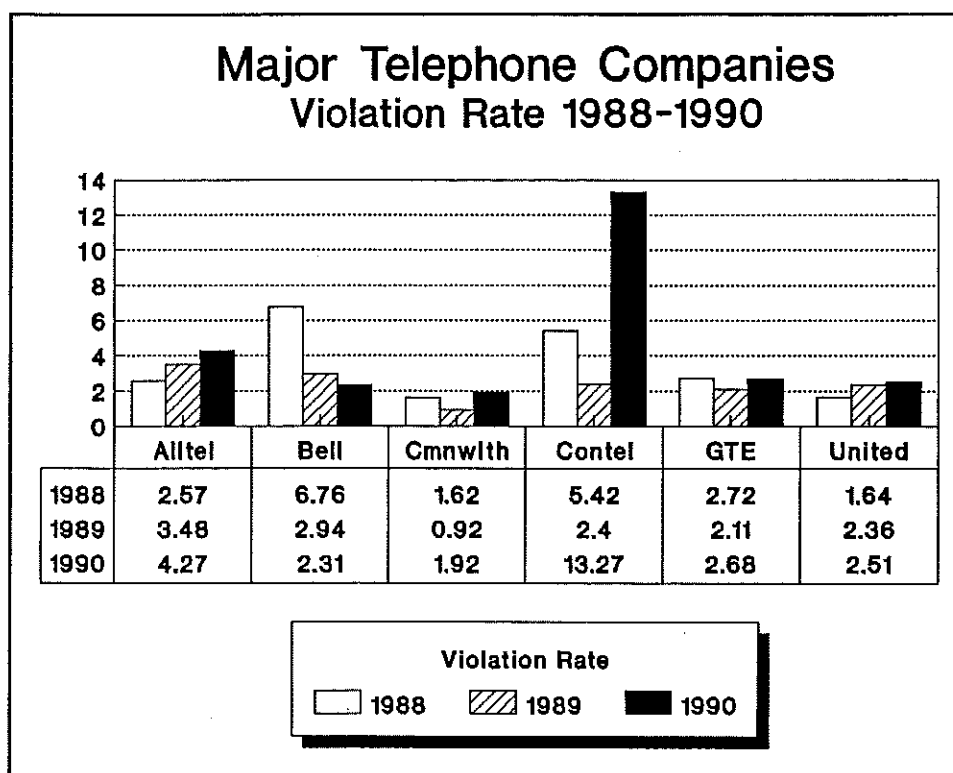
Table 17

Informal Violations of Chapter 64: 1988-1990
Major Telephone Companies

	<u>1988</u>	<u>1989</u>	<u>1990 Total+</u>	<u>1990 Total Number Verified</u>	<u>1990 Total Number Pending</u>
Alltel	27	37	50	46	4
Bell	2308	1016	1169	811	358
Commonwealth	24	14	42	30	12
Contel	35	16	102	91	11
GTE	91	72	104	93	11
United	38	56	66	61	5
TOTAL	2523	1211	1533	1132	401

+ The total number of violations for 1990 (column 3) is comprised mostly of verified violations (column 4) and a smaller number of pending violations (column 5). The total number of violations for 1990 may increase as new violations are discovered and cited from customer complaints which originated in 1990 but are still under investigation.

Table 18



The highlights from Tables 17 and 18 include the following:

- * As presented in Table 17, compliance performance has deteriorated for five of the six major telephone companies.
- * While Bell's performance as illustrated in Table 17 does not show an increase in verified violations from 1989 to 1990, the forecast is sobering. With a quarter of Bell's total number of violations for 1990 still pending a determination, it is likely that Bell too will ultimately show a worse performance in 1990 than in 1989.
- * Although the industry as a whole shows 79 fewer violations in 1990 than in 1989, the potential is there, in the form of 401 pending violations, for the industry to surpass last year's total number of verified violations. Even considering only the number of already verified violations for 1990, at 1132 it remains unsatisfactory. When compared with the data for the same period on other types of utilities relative to their

compliance with parallel consumer regulations, the verified violations for the six major telephone companies are almost double the violations for the eight major electric companies (330), the six major gas companies (191), and the four major water companies (100) combined (621). Bell alone has 30% more verified violations than the major gas, water and electric companies together.

- * Contel has reclaimed the dubious distinction of demonstrating the worst compliance performance of the industry when using the violation rate per 10,000 customers. After showing improvement last year by cutting the number of violations in half, Contel's violation rate this year represents the highest the Bureau has seen in the telephone industry -- certainly a cause for great concern.
- * Alltel, for the third year in a row, experienced an increase in verified violations. The 24% increase in verified violations from 1989 to 1990 was less than last year, but still indicates cause for concern especially in the pattern it demonstrates.
- * Alltel also shows the second highest violation rate per 10,000 customers in 1990.
- * Commonwealth, although showing the lowest violation rate per 10,000 customers, more than doubled the number of verified violations from 1989 to 1990.
- * GTE had a 29% increase in the number of verified violations from 1989 to 1990. This is disappointing after last year's apparent start toward improvement.
- * GTE's violation rate per 10,000 customers has the potential of being its worst in 4 years.
- * United had the lowest increase in verified violations from 1989 to 1990. However, the fact that United has shown an increase consistently for the last three years is troubling.

Distribution of Informally Verified Violations

Tables 19 and 20 show the areas of Chapter 64 where compliance problems are most serious for the six major companies. Because 79% of the telephone customers in Pennsylvania are Bell customers and because almost that percentage of the verified violations are Bell's, the other 5 major companies are presented together in a separate table (Table 20). These tables can aid the telephone companies in focusing on those areas of Chapter 64 most in need of company effort and attention.

Table 19
Most Commonly Violated Areas of Chapter 64
Bell of Pennsylvania

Section	1989		1990	
	N	%	N	%
\$64.14 Billing Information	0		21	3%
\$64.21 Separate Billing	48	5%	24	3%
\$64.34 Written Credit Procedures	27	3%	47	6%
\$64.63 Unauthorized Suspension of Service	48	5%	42	5%
\$64.71 Notice Requirement Prior to Suspension	44	5%	13	2%
\$64.72 Suspension Notice Information	40	4%	115	14%
\$64.73 Notice of Suspension While Dispute Pending	60	6%	15	2%
\$64.74 Procedures Prior to Suspension	240	25%	91	11%
\$64.123 Termination Notice Information	9	1%	15	2%
\$64.141 Dispute Procedures - Telephone Company	207	21%	204	25%
\$64.142 Contents of Utility Reports	68	7%	9	1%
\$64.153 Commission Informal Complaint Procedures	85	9%	146	18%
\$64.192 Record Maintenance	14	1%	16	2%
Other				
Remainder of 1989 violations fall into 23 other sections.				
Remainder of 1990 violations fall into 17 other sections.	79	8%	53	7%
TOTAL	969		811	

The highlights from Table 19 include the following:

- * Bell's second most common compliance problem this year and last is failure to treat customer disputes in full accord with the explicit standards of conduct set forth in the Chapter 64 dispute handling provisions (§64.141-§64.142). Because these provisions are intended to insure basic due process rights for

consumers, failure to follow these procedures is cause for concern.

- * Informally verified violations of the Chapter 64 provisions relating to suspension of service (§64.63 through §64.74) account for 40% of Bell's violations over the last two years. The fact that two out of five violations involved these important Chapter 64 standards indicates that Bell has yet to establish or properly implement procedures which insure day-to-day compliance with these provisions. Although violations of §64.74 were reduced by almost two-thirds in 1990, violations involving suspension notice information (§64.72) almost tripled.
- * Overall, it is too soon to state whether the number of informally verified violations gleaned by BCS investigators from informal complaints against Bell of Pennsylvania has increased from 1989 to 1990 because of the large number of pending violations (358). However, approximately seventy percent of pending violations are subsequently determined to be verified violations. If BCS experience with pending violations holds true, then Bell's performance for 1990 in regard to compliance is disappointing in that Bell has failed to continue the improvement shown last year.
- * Of major concern is Bell's increase in the number of verified violations relating to Commission Informal Complaint Procedures. These violations accounted for 18% of Bell's total verified violations for 1990.

Table 20

Most Commonly Violated Areas of Chapter 64
 5 Other Major Telephone Companies
 (Alltel, Commonwealth, Contel, GTE, and United)

Section	1989		1990	
	N	%	N	%
§64.12	7	4%	15	5%
§64.17	1	--	23	7%
§64.21	6	3%	5	2%
§64.34	19	10%	28	9%
§64.63	13	7%	23	7%
§64.71				
	10	5%	14	4%
§64.72	14	7%	33	10%
§64.74	40	21%	62	19%
§64.123	5	3%	4	1%
§64.141				
	27	14%	48	15%
§64.142	26	13%	15	5%
§64.153				
	4	2%	18	6%
Other				
	22	11%	33	10%
TOTAL	194		321	

The highlights from Table 20 include the following:

- * Informally verified violations of the Chapter 64 provisions relating to suspension of service (§64.63 through §64.74) account for 40% of the verified violations by these 5 major telephone companies over the last two years. The majority of these violations involved one provision in particular; that is, §64.74 relating to procedures prior to suspension.
- * Dispute handling remains a problem for the 5 major telephone companies. With 20% of the verified violations in 1990 involving the dispute procedures and the contents of the dispute summary, companies should thoroughly review this area of their customer services operations and take the appropriate corrective action.

- * Failure by companies to implement the proper written credit procedures resulted in a significant number of violations both in 1989 and 1990.
- * The similarities between Bell's verified violations and those of the other major telephone companies are evident. Ten of the 12 sections appearing on this Table also appear as those most commonly violated by Bell. Furthermore, the regulations governing suspension of service and dispute handling are the most frequently violated overall. This indication that the industry as a whole has not yet achieved routine compliance with these Chapter 64 regulations is disturbing because of the significant consequences to consumers.

Summary

The ray of sunshine that seemed to brighten last year's gloomy compliance picture has been obscured in 1990 by a cloud of increased violations and higher violation rates. Overall, five of the six major telephone companies' compliance performance deteriorated from 1989 to 1990. When all the figures are tallied, it is more than likely that the sixth major company will join them. Until the telephone utilities design comprehensive procedures which fully comply with Chapter 64 and insure that their employees properly and consistently implement these procedures, the compliance picture will remain dark and troubling. Deficiencies in procedures appear to be prevalent in two important areas: dispute handling and suspension of service. The Bureau of Consumer Services will continue to seek full compliance with the Chapter 64 regulations. When using cooperative methods of enforcement such as the informal compliance notification process does not appear to be effective in attaining that goal, other strategies may be appropriate. The Bureau will use more coercive methods for instances where performance remains problematic.

X. CONCLUSION

This third annual telephone report presents the Bureau's assessment of the telephone industry's customer service performance for the year 1990. The primary focus of this report is the Bureau's complaint handling activity relative to the six major companies: Alltel, Bell, Commonwealth, Contel, GTE, and United. This report provides a comprehensive analysis of telephone complaints, an analysis of telephone company collections activities, and an analysis of telephone violation statistics.

Telephone Company Performance

Quantitative and qualitative problem indicators are used here to measure company performance. The first problem indicator is the consumer complaint rate which is a measure of relative complaint frequency. Justified percent is a qualitative indicator which measures the quality of companies' complaint handling. Justified rate is the indicator that measures companies' effectiveness by combining two indicators, consumer complaint rate and justified percent. The fourth problem indicator is response time. Telephone response time reflects the quality of dispute handling and the record keeping which is required under PUC regulations. In addition to the analysis related to consumer complaints, the analysis of measures related to telephone collections provides a basis for comparing company performance at managing unpaid accounts. Finally, a review of violation statistics assesses companies' performance at operating in compliance with the Commission's regulations.

Telephone Complaints

In 1990, the total number of complaints against the telephone industry was slightly higher than the record level that was set in 1988. Major telephone companies, with the exception of Bell, had more complaints in 1990 than in 1989.

The quality of company complaint handling is measured by the percent of justified complaints and company effectiveness is measured by justified rate. As a group, major telephone companies had fewer complaints that were deemed to be justified in 1990. The percent of justified complaints decreased by 7% from 1989 to 1990. Even so, more than half of the complaints filed against companies were justified complaints. In addition, major companies' effectiveness, as measured by the justified rate, deteriorated from 1989 to 1990.

Response time can be an indicator of both a company's efficiency and compliance with record keeping requirements. The telephone industry response time was better in 1990 than in 1989. On average, the industry's response time to informal complaints registered with the Bureau was six days faster.

Collections Statistics

Unfortunately, companies are not uniformly reporting billing and collection statistics as required under Chapter 64 reporting requirements. In addition, these requirements are inadequate because they do not reflect current billing and collections issues. Thus, the Bureau is unable to provide a comprehensive analysis of the important aspects of telephone company collection practices in its annual assessment of the industry. In spite of this, the initial findings suggest that telephone industry practices improved in some areas and declined in other areas. The number of service terminations remained stable from 1989 to 1990. The average amount owed in overdue telephone bills as measured by weighted arrearage scores, increased 28% from 1989 to 1990. However, this was largely due to Alltel's high weighted arrearage score. Telephone industry uncollectibles from residential accounts grew slightly in 1990. Most companies attribute this growth to high toll usage. In short, it appears from the data reported that the telephone industry's collection performance remained stable. However, the Bureau believes that deficiencies in the reporting requirements and inaccurate reporting by companies make it difficult to do a thorough assessment of the telephone industry collection practices. The Bureau will investigate possible noncompliance and take appropriate enforcement action. Again, further investigation of telephone company collection practices is needed.

Compliance

The Chapter 64 regulations have been in effect since January 1985. The telephone industry has had more than six years to achieve routine compliance with these regulations, yet the statistics presented here indicate that the industry is far from reaching that goal. What last year looked like the beginning of a journey toward compliance, appears in light of this year's statistics to have been a false start. Last year four of the six major companies showed a decrease in verified violations; this year those same companies will show an increase in verified violations when all the 1990 pending compliance actions are closed out and the data entered. That means that not one of the six major companies demonstrated improvement in compliance performance in 1990.

In order to help companies achieve compliance with the Commission's regulations, the Bureau staff analyze and thoroughly document each violation of Chapter 64. Summaries of these violations along with accompanying explanations are then sent to the appropriate utility. In spite of this laborious effort, it is

evident that telephone companies have not taken full advantage of the information available to them through this informal compliance notification process. The Bureau urges companies to make full use of this process to improve their compliance performance. The Bureau also reminds companies that their continued failure to make use of the informal compliance process will force the Bureau to resort to other means to effect compliance.

Summary

This report highlights individual company performance as well as the telephone industry's performance. Individual company performance, as measured by the problem indicators discussed above, deteriorated from 1989 to 1990. Individual company performance is evaluated and scored in three areas: complaints, collections, and compliance. Overall, customer service performance for the six major companies ranged from better than average to very poor in 1990. Two of the major companies had overall performances that were significantly worse than the telephone industry's average. Contel's overall performance was the worst in the industry. Alltel's overall performance was also significantly worse than the industry's average. On the positive side, United's and General's overall performance was better than the industry's average. For a second year, Commonwealth's customer service performance appears to be the best in the industry. Thus, it appears that Commonwealth may be the most effective major company at managing customer services operations in 1990. Although the comparative analysis of individual companies shows that some major companies' overall performance was better in 1990, it is important to note that none of the major companies showed substantial improvement in all three of the areas evaluated here. Collectively, the major companies' performance deteriorated in 1990. Therefore, it is evident that the telephone industry must take further steps to improve in all areas of customer service.

There is substantial evidence that companies which make a sincere effort to improve their customer services operations have been successful. Thus, it is the Bureau's policy to assist company efforts at self-monitoring. In addition to periodic reviews of company procedures, the Bureau provides most of the data used in the preparation of this report to companies on a quarterly basis. Companies which seek to improve performance and confront problems can then determine causes for problems and respond appropriately long before the BCS becomes aware of problems. However the Bureau will continue to focus criticism on those companies which do not act to arrest declines in customer services performance.

APPENDIX A

Table 1

Residential Cases - Major Telephone Companies
(1986 - 1990)

Company	Number of Cases				
	1986	1987	1988	1989	1990
Alltel	116	86	63	60	83
Bell	759	924	2,285	2,316	2250
Commonwealth	79	62	60	45	68
Contel	17	44	31	39	63
GTE	207	148	137	115	148
United	128	94	85	90	90
Total	1,306	1,358	2,661	2,665	2,702

Table 2

Percent Change in Number of Residential Cases
(1986 - 1990)

Company	Percent Change in N				Percent Change in N 1986 - 1990
	1986 - 1987	1987 - 1988	1988 - 1989	1989 - 1990	
Alltel	-26	-27	-5	38	-28%
Bell	-22	-147	-1	-3	196%
Commonwealth	-22	-3	-25	51	14%
Contel	-52	-30	-26	62	27%
GTE	-25	-29	-16	29	-29%
United	-27	-10	-6	No Change	-30%
Average	4	96	No Change	1	107%

Table 3

Complaint Rate - Major Telephone Companies
(1986 - 1990)

Company	Complaint Rate				
	1986	1987	1988	1989	1990
Alltel	1.14	.83	.60	.56	.77
Bell	.23	.27	.67	.67	.64
Commonwealth	.62	.46	.41	.29	.43
Contel	.50	.70	.48	.59	.92
GTE	.64	.45	.41	.34	.43
United	.58	.42	.37	.38	.37
Average	.62	.52	.49	.47	.59
1986-1990 (Average Rate)	.54				

Table 4

Complaint Rate

	Average Rate	1989	1990
	(1986-1988)		
Alltel	0.86	0.56	0.77
Bell	0.39	0.67	0.64
Commonwealth	0.50	0.29	0.43
Contel	0.56	0.59	0.92
GTE	0.50	0.34	0.43
United	0.46	0.38	0.37
Average	0.54	0.47	0.60

Table 5
Justified Complaint Rate
(1986-1990)

	1986	1987	1988	1989	1990
Alltel	0.32	0.42	0.35	0.38	0.45
Bell	0.10	0.14	0.42	0.44	0.35
Commonwealth	0.37	0.29	0.16	0.23	0.24
Contel	0.29	0.54	0.25	0.28	0.52
GTE	0.44	0.30	0.18	0.23	0.27
United	0.29	0.24	0.19	0.26	0.24
Average	0.30	0.32	0.26	0.30	0.35
1986 - 1990 (Average Rate)	.30				

Table 6
Average Justified Complaint Rate

	(1986-1988)	1989	1990
Alltel	0.36	0.38	0.45
Bell	0.22	0.44	0.35
Commonwealth	0.27	0.23	0.24
Contel	0.36	0.28	0.52
GTE	0.31	0.23	0.27
United	0.24	0.26	0.24
Average	0.29	0.30	0.35

APPENDIX B

Table 1

Residential-Commercial Complaints
Industry Proportion
(1990)

Total	Residential	% Residential	Commercial	% Commercial
3,808	3,353	88%	455	12%

Table 2

Monthly Average Number of Residential Customers
Major Telephone Companies
(1990)

Alltel	107,674
Bell	3,511,481
Commonwealth	156,517
Contel	68,592
GTE	347,010
United	243,236
Total	4,434,510

APPENDIX C

§64.201 Reporting Requirements

- (1) Average number of residential customers
- (2) Average customer bill per month
- (3) Average number of overdue customers per month
- (4) Amount overdue bill per month
- (5) Average number of customers suspended per month
- (6) Average number of suspension notices per month
- (7) Average number of accounts terminated per month
- (8) Gross revenues from all residential accounts
- (9) Gross and net write-offs of uncollectible accounts
- (10) Total number of customer disputes handled

APPENDIX D - TABLE 1

JUSTIFIED PERCENT SPECIFIC PROBLEMS

CHAPTER 64

Company	Justified Percent		Net Change 1989-1990
	1989	1990	
Alltel	87%	56%	-31%
Bell	69%	57%	-12%
Commonwealth	80%	75%	-5%
Contel	67%	57%	-10%
GTE	75%	72%	-3%
United	73%	63%	-10%

Average Justified Percent	75%	63%	-12%
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NON-CHAPTER 64

Company	Justified Percent		Net Change 1989-1990
	1989	1990	
Alltel	56%	52%	-4%
Bell	59%	48%	-11%
Commonwealth	68%	36%	-32%
Contel	31%	33%	2%
GTE	63%	53%	-10%
United	59%	62%	3%

Average Justified Percent	56%	47%	-9%
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SUSPENSIONS/TERMINATIONS

Company	Justified Percent		Net Change 1989-1990
	1989	1990	
Alltel	67%	67%	0%
Bell	66%	54%	-12%
Commonwealth	100%	77%	-23%
Contel	60%	100%	40%
GTE	69%	67%	-2%
United	77%	74%	-3%

Average Justified Percent	73%	73%	No Change
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APPENDIX D - TABLE 2

RESPONSE TIME SPECIFIC COMPLAINTS

CHAPTER 64

Company	Avg. Time in Days 1989	Avg. Time in Days 1990	1989-1990 Change in Days
Alltel	19	7	-12
Bell	45	21	-24
Commonwealth	17	11	-6
Contel	19	19	No Change
GTE	16	9	-7
United	16	23	7
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Avg. Response Time	22	15	-7

NON-CHAPTER 64

Company	Avg. Time in Days 1989	Avg. Time in Days 1990	1989-1990 Change in Days
Alltel	8	5	-3
Bell	37	22	-15
Commonwealth	17	19	2
Contel	28	14	-14
GTE	16	10	-6
United	17	18	1
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Avg. Response Time	21	15	-6

SUSPENSION/TERMINATION

Company	Avg. Time in Days 1989	Avg. Time in Days 1990	1989-1990 Change in Days
Alltel	22	6	-16
Bell	30	13	-17
Commonwealth	3	10	7
Contel	24	13	-11
GTE	14	8	-6
United	19	18	-1
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Avg. Response Time	19	11	-8

APPENDIX D - TABLE 3

JUSTIFIED COMPLAINT RATE SPECIFIC PROBLEMS

CHAPTER 64

Company	Justified Rate		Net Change 1989 to 1990
	1989	1990	
Alltel	0.14	0.07	-0.07
Bell	0.12	0.08	-0.04
Commonwealth	0.09	0.06	-0.03
Contel	0.09	0.11	0.02
GTE	0.09	0.09	No Change
United	0.09	0.06	-0.03
Avg.	0.10	0.08	-0.02

NON-CHAPTER 64

Company	Justified Rate		Net Change 1989 to 1990
	1989	1990	
Alltel	0.15	0.17	0.02
Bell	0.08	0.08	No Change
Commonwealth	0.10	0.07	-0.03
Contel	0.08	0.13	0.05
GTE	0.10	0.10	No Change
United	0.09	0.08	-0.01
Avg.	0.10	0.10	No Change

SUSPENSIONS/TERMINATIONS

Company	Justified Rate		Net Change 1989 to 1990
	1989	1990	
Alltel	0.09	0.16	0.07
Bell	0.21	0.12	-0.09
Commonwealth	0.06	0.06	No Change
Contel	0.05	0.17	0.12
GTE	0.03	0.05	0.02
United	0.07	0.06	-0.01
Avg.	0.08	0.10	0.02