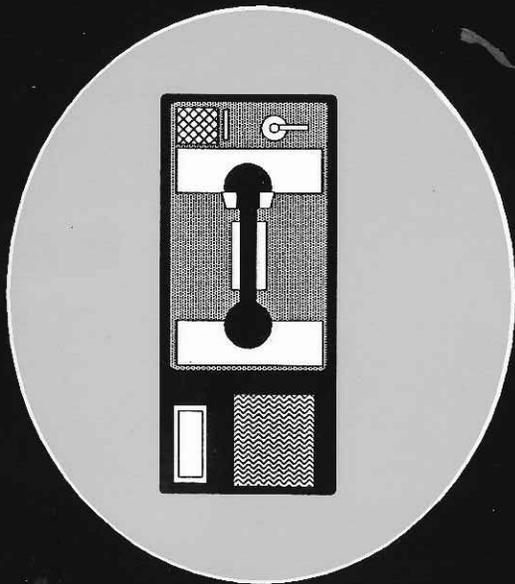


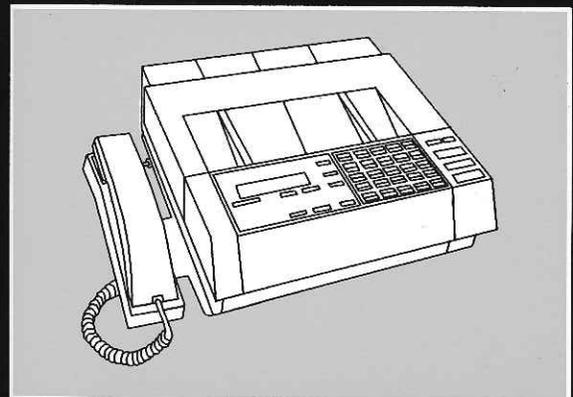
Consumer Services Activity Report



Telephone Utilities 1991

Pennsylvania Public
Utility Commission

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*Bureau of
Consumer Services*



with the assistance of

THE PENN STATE UNIVERSITY
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CONSUMER SERVICES
TELEPHONE ACTIVITY REPORT: 1991

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Pennsylvania Public Utility Commission
Bureau of Consumer Services
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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 The 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 1991. In addition, 1990 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.

The performance measures in this report are the same as those used in the "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 three measures, a fourth 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 VII.

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 1991. An explanation of these measures is included (in Chapters V, VI, VII, VIII) for readers who encounter them for the first time.

Chapter X 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 1991 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 1 through 3. 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. 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 Table 2 and Graph 1. 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 Table 2 and Graph 1. This latter classification of non-investigatory contacts are called inquiries by BCS. Also, all informal complaints involving the Bell Sales Practices case have been deleted from this report as agreed to in the settlement of the case. In addition, telephone cases are divided into three groups: Chapters 64 complaints, Non-Chapter 64 complaints and Chapter 64 suspensions (these distinctions are fully explained in Chapter IV). Finally, a new section, Major Company Profiles, has been added this year to highlight individual company performance.

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 are the basis for the policy issues presented here.

COCOT Enforcement

The Bureau of Consumer Services received 379 complaints concerning coin telephones in 1991. Customers complained about the absence of labeling that would tell them the price of a call and who to contact regarding problems or refunds. These complaints are often from customers who unknowingly accessed an Operator Service Provider whose charges exceed that of their chosen carrier. The Bureau also received complaints from customers who wanted coin telephones converted to only outgoing service only because they believed these phones were used for illegal activity, (i.e. prostitution or drug trafficking, etc.). Based on the responses of the owners of the public telephones, virtually every pay phone complaint received by the Bureau of Consumer Services has been justified. The Bureau of Consumer Services is concerned that these problems regarding the provisions of public coin telephone service and the rates charged for this service are more widespread than indicated by the number of complaints. Accordingly, the Bureau intends to concentrate on enforcement of coin telephone regulations in the coming months.

900 Numbers

The Bureau of Consumer Services has received 111 consumer complaints disputing both the charges and the services offered by 900 information providers. These services are often reached by dialing a 900 number. The charges for these calls can vary from \$.75 to \$50. While the charges are usually set by the information provider, they generally 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 vary and include adult and gab lines, rock star lines, gift or prize offers, and most recently game shows which must be played via a 900 number. Complaints about these types of calls include not being told there is a cost to call the 900 number, not receiving the gift or prize in response to the call game or not being able to obtain the advertised information. The Bureau also received other billing complaints about third party billing or tactics used by those collection agencies who were hired by information providers.

It appears that the combination of blocking, the Commission's support of one-time billing adjustments, and new federal regulations has reduce the number of customer complaints the Bureau received regarding 900 service. Federal regulations prohibit local exchange carriers and

interexchange carriers from suspending or terminating toll or local service for nonpayment of 900 number charges. Even so, the Bureau continues to monitor whether 900 numbers are properly billed and encourages local carriers to give customers one time billing adjustments.

New Resellers Regulations

The PUC's reseller regulations became effective April 4, 1992. Customers complained that resellers of telephone service charged them unreasonable rates for intrastate toll calls made from phones in locations such as hotels, hospitals, and universities. A business or institution may contract with a reseller to provide phone service and the reseller in turn provides them with a commission. PUC staff frequently found that reseller rates could be as much as five times the amount charged by AT&T. There is an estimated one hundred or more resellers who provide phone service in Pennsylvania. The purpose of the new regulations is to control and eventually eliminate price gouging by resellers. All resellers who provide service in Pennsylvania must file a certificate of public convenience with the PUC by June 4, 1992. Resellers are also required to file a tariff outlining their rates. In addition, resellers must comply with the rate caps set by the PUC.

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. The Bureau found that many of the informal complainants were not treated by the local exchange carrier or the interexchange carrier in accordance 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 the local telephone company.

Slamming & Interexchange Sales Practices

The term "slamming" describes the unauthorized changing (conversion) 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 that 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--a change in long distance service provider without the customer's knowledge.

The Bureau received 45 "Slamming" complaints in 1991, the industry reports fielding many more such complaints from their customers. Bell Telephone of Pennsylvania handled 16,298 customer complaints about unauthorized conversions in 1991.

While it appears that complaints about slamming have declined from 1990 to 1991, existing and prospective long distance customers are now complaining about the way interexchange carriers are soliciting sales for optional calling plans. Customers complain that their interexchange carrier tried to persuade them to enroll in a calling plans they may not want or need. According to these customers, the interexchange carrier claims that a review of their account shows that they will save money if they change their calling plans. In virtually all cases the company claims were incorrect and the customer was misinformed.

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

Bell Settlement Agreement

On August 29, 1991 the Commission voted 4-0 to approve an agreement reached with Bell of Pennsylvania to settle a PUC complaint alleging company violations of the residential telephone service regulations.

Under the agreement, Bell paid the largest lump-sum penalty in the history of the PUC: \$1.78 million. Ten percent of the total settlement amount, \$170,000, was paid to the state's general fund as a fine. The remaining \$1.53 million was paid to the Telecommunications Education Fund which was established by a settlement in an unrelated Bell case involving alleged deceptive sales and marketing practices related to optional services. The Telecommunications Education Fund is a non-profit organization managed by a five-member panel. Its purpose is to provide funding for projects which promote education and understanding in the area of telecommunications.

The original 1990 formal complaint alleged that Bell, for several years, did not follow rules governing billing standards and practices for residential service. The prosecutory staff, comprised of members of the Commission's Consumer Services and Law Bureaus, asserted that most of the alleged violations were related to improper suspension of service or threat of suspension. Although admitting to some of the infractions, Bell claimed that they were committed unintentionally. Bell blamed the complexity of the PUC regulations for the difficulty it has experienced complying with the regulations.

Certain terms of the settlement agreement are aimed at minimizing misunderstanding of the regulations and resolving differences by following tightened procedures. Other terms of the agreement require Bell to submit quarterly reports to the Commission for two years regarding alleged customer service violations and to meet quarterly with the PUC Bureau of Consumer Services to discuss the written reports and attempt to resolve any issues raised by Bell or by BCS regarding Bell's implementation of the Chapter 64 regulations.

Telecommunications Trust Fund

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 certain residential optional services. Bell agreed to refund \$35.2 million to customers and to contribute \$5 million to create a Telecommunications Education Fund. An executive director and administrative assistant were hired to manage the Fund. Overall trust fund activities are directed by five Board members.

In May 1992 the Telecommunications Education Fund awarded nineteen grants, totaling \$928,000, to various community based organizations throughout Pennsylvania. Grants were given to not-for-profit organizations to educate consumers about budgeting telephone dollars, and to make the public aware of consumer protection issues and low income programs. The list of grantees includes the following: Tri-County Opportunities Industrialization of Harrisburg, Indiana County Community Action Program, Center on Deafness at the West Pennsylvania School for the Deaf, Pennsylvania Coalition Against Domestic Violence, Dauphin County Area Office on Aging, YWCA of McKean County-Potter Cooperative Extension Unit, Fayette County Emergency Management Agency, Women in Crisis Carbon County, Montgomery County Emergency Service, Speaking for Ourselves of Plymouth Meeting, Tasker Street Baptist Church Community Outreach Corporation of Philadelphia, Just Harvest Education Fund of Homestead, Homewood-Brushton Revitalization and Development Corporation, Congreso De Latinos Unidos of Philadelphia, Korean Community Development Services of Philadelphia, The Center for Literacy of Philadelphia, Northwestern Legal Services of Erie, Golden Triangle Radio Information Center of Pittsburgh and Citizens Fund.

Last October, grant applicants attended one of a series of workshops conducted across the state. Those chosen for grants will attend a training conference and ongoing technical support will be provided throughout the one-year grant period. Additional grants are expected to be given in each of the next four years.

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, the 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 sent letters to customers who were billed since January 1988 for "Smarter Call Pak" or "Smartest Call Pak" optional services packages, offering refunds to those customers who believed they were improperly billed. GTE reviewed over 4,000 residential accounts and determined that 1,764 were entitled to refunds. The total amount of credits or refunds granted to customers was \$119,630. GTE completed this refund portion of the Settlement Agreement in October 1991.

The initial payment of \$150,000 of the fine was made in July 1991. The two subsequent \$75,000 payments could be waived, depending on GTE's compliance efforts since the settlement agreement.

Pennsylvania Telecommunications Relay Services

In 1990, the Commission ordered the implementation of Pennsylvania's Telecommunications Relay Service (TRS). The TRS enables people with hearing disabilities, and/or speech disabilities to communicate with others by phone. With the implementation of the TRS, the Commission also ordered the establishment of an advisory board for the TRS on which the Bureau is an active participant. The volume of intrastate calls made through the TRS more than doubled from 1990 to 1991. However, TRS users were dissatisfied because they could not make out of state calls. The advisory board recommended that the Commission permit AT&T to expand TRS so users of the service could make and receive interstate calls as well as intrastate calls. On November 6, 1991 the Commission entered an order to permit AT&T, operator of the TRS, to provide users of TRS with interstate calling.

Revision of Chapter §64.201 Reporting Requirements

Under Chapter §64.201 reporting requirements, all local telephone companies must provide the Commission with account information related to residential billing and collection. The §64.201 reporting requirements were drafted prior to divestiture. Thus, changes to the

telecommunications environment that occurred after divestiture are not reflected in these reporting requirements. The Bureau has found that the §64.201 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. The Commission directed the Bureau to draft regulation which will require local exchange companies to categorize their uncollectible accounts by multiple balance billing. However, the Bureau will recommend that all items listed under the reporting requirements be revised to eliminate all reporting deficiencies.

III. COMPANY PROFILES

This year the Telephone Activity Report includes a new section which presents a brief synopsis of each company's performance. Each utility profile contains company specific highlights that are drawn from the various chapters of the report. The profiles are not comprehensive evaluations of a company, nor do they contain detailed descriptions of the performance measures. The Bureau developed the profiles to provide readers with a quick reference to the noteworthy findings of a given utility's customer service performance. Readers are encouraged to review the full report before drawing conclusions regarding utility company performance.

Alltel

The following profile highlights several noteworthy findings regarding Alltel's 1991 customer service performance:

Alltel's justified complaint rate indicates that the company may have been more effective at handling consumer complaints in 1991 than in 1990. This improvement in justified complaint rate is apparently due to Alltel's complaint rate dropping from .65 in 1990 to .42 in 1991 as fewer Alltel customers brought complaints to the Commission. However, Alltel's exceedingly low dispute rate may reflect that the company did not follow the proper dispute notification procedures, so fewer customers were aware of their right to file complaints with the Bureau.

<i>Measure</i>	<i>1990</i>	<i>1991</i>	<i>Industry Average 1991</i>
<i>Justified Complaint Rate</i>	<i>.31</i>	<i>.21</i>	<i>.26</i>
<i>Dispute Rate</i>	<i>.84</i>	<i>.71</i>	<i>6.40</i>
<i>Weighted Arrearage</i>	<i>5.87</i>	<i>3.26</i>	<i>2.19</i>

Alltel's weighted arrearage score shows that the company's average overdue bill represents over three months of average bills. Even with Alltel's vast improvement in weighted arrearage from 1990 to 1991, the company's score of 3.26 is still well above the industry average. This figure reflects negatively on Alltel's collection performance.

Alltel experienced a significant decrease (78%) in verified violations from 1990 to 1991.

Bell

The following profile highlights several noteworthy findings regarding Bell's 1991 customer service performance:

Bell had the worst justified complaint rate ranking in the industry, indicating that the company was the least effective at complaint handling in 1991. Bell's effectiveness at handling consumer complaints improved from 1989 to 1990. Unfortunately, the company's gain in effective complaint handling during this period apparently dissipated in 1991. The Bureau is disappointed by this apparent decline in Bell's effectiveness.

Bell's termination rate was the highest among the six major companies in 1991.

<i>Measure</i>	<i>1990</i>	<i>1991</i>	<i>Industry Average 1991</i>
<i>Justified Complaint Rate</i>	<i>.35</i>	<i>.47</i>	<i>.26</i>
<i>Termination Rate</i>	<i>2.98</i>	<i>3.29</i>	<i>2.30</i>
<i>Percentage of Revenues Written-Off</i>	<i>2.23%</i>	<i>3.15%</i>	<i>2.16%</i>

Bell experienced a substantial increase in residential net write-offs from 1990 to 1991 and had the second highest percentage of revenues written-off.

Bell's compliance performance defies a brief summary. Readers should refer to Chapter X, Compliance for a complete review.

Commonwealth

The following profile highlights several noteworthy findings regarding Commonwealth's 1991 customer service performance:

Of all the major companies, Commonwealth was the most effective company at handling complaints in 1991. Commonwealth's justified complaint rate was one of the best in the industry for a third year in a row.

Commonwealth's consumer complaint response time was three days faster in 1991 than in 1990.

Commonwealth's weighted arrearage score increased slightly from 1990 to 1991, but indicates that on average Commonwealth's arrearages are not exceedingly large.

<i>Measure</i>	<i>1990</i>	<i>1991</i>	<i>Industry Average 1991</i>
<i>Justified Complaint Rate</i>	<i>.24</i>	<i>.15</i>	<i>.26</i>
<i>Response Time</i>	<i>15</i>	<i>12</i>	<i>10</i>
<i>Weighted Arrearage</i>	<i>1.84</i>	<i>1.88</i>	<i>2.19</i>

Commonwealth reduced the number of verified violations from 1990 to 1991 by more than one-third.

Contel

The following profile highlights several noteworthy findings regarding Contel's 1991 customer service performance:

Contel's justified complaint rate ranking is tied for next to the best in the industry in 1991. This comes after Contel was ranked the least effective at handling complaints in 1990. The Bureau is encouraged by the company's dramatic improvement.

Contel had the best weighted arrearage score in 1991 and the best in the industry for a third consecutive year. Contel's 1991 weighted arrearage score represented a little more than one and a half average bills.

<i>Measure</i>	<i>1990</i>	<i>1991</i>	<i>Industry Average 1991</i>
<i>Justified Complaint Rate</i>	<i>.52</i>	<i>.16</i>	<i>.26</i>
<i>Response Time</i>	<i>15</i>	<i>13</i>	<i>10</i>
<i>Weighted Arrearage</i>	<i>1.59</i>	<i>1.57</i>	<i>2.19</i>

Although Contel reduced its consumer complaint response time by 2 days from 1990 to 1991, the company's response time of 13 days was the worst in the industry in 1991.

Contel experienced a remarkable decrease (87%) in the number of verified violations from 1990 to 1991.

GTE

The following profile highlights several noteworthy findings regarding GTE's 1991 customer service performance:

GTE's effectiveness at handling consumer complaints deteriorated from 1990 to 1991. This leaves GTE with next to the worst justified complaint rate in 1991.

<i>Measure</i>	<i>1990</i>	<i>1991</i>	<i>Industry Average 1991</i>
<i>Justified Complaint Rate</i>	<i>.27</i>	<i>.38</i>	<i>.26</i>
<i>Weighted Arrearage</i>	<i>2.29</i>	<i>2.46</i>	<i>2.19</i>

For a third consecutive year, GTE has had next to the worst weighted arrearage score in the industry.

GTE experienced a 45% decrease in the number of verified violations from 1990 to 1991. However, there are 24 pending violations which means that depending on the final determinations, the decrease may not be as substantial. Furthermore, GTE demonstrated a pattern of responding late to informal violation notifications in 1991. In fact, 78% of their responses were late; 23 of the 24 pending were due to be answered by GTE prior to the collection date for the compliance data.

United

The following profile highlights several noteworthy findings regarding United's 1991 customer service performance:

United was more effective at handling consumer complaints in 1991 than in 1990. In fact, United's justified complaint rate is tied with Contel's for next to the best in the industry in 1991.

<i>Measure</i>	<i>1990</i>	<i>1991</i>	<i>Industry Average 1991</i>
<i>Justified Complaint Rate</i>	<i>.24</i>	<i>.16</i>	<i>.26</i>
<i>Termination Rate</i>	<i>2.33</i>	<i>2.65</i>	<i>2.30</i>
<i>Weighted Arrearage</i>	<i>1.71</i>	<i>1.80</i>	<i>2.19</i>

United experienced the next to the largest percentage increase in service terminations from 1990 to 1991. This is the second time in the last four years that United reported an increase in its number of service terminations.

United's weighted arrearage score (1.80) was next to the best for three consecutive years.

United experienced a 33% decrease in the number of verified violations from 1990 to 1991.

United demonstrated a dismal pattern of responding late to violations cited by BCS. By far the worst offender, United failed to respond on time to 89% of their cited violations in 1991.

IV. OVERALL COMPLAINT ACTIVITY

The Bureau's customer contacts for the telephone industry fall into two basic categories: consumer complaints and "other contacts". Other contacts may involve inquiries and opinions and requests for information. Contacts about 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 are also included in the "other contact" category.

Consumer Complaints

During 1991, the Bureau handled 3,671 complaints from consumers about problems they had with their local telephone companies. Of these consumer complaints, 3,205 were against the six major telephone companies. In 502 of these cases regarding telephone companies, the Bureau saved customers a total of \$164,333 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.

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. This unit is also responsible for enforcing the Coin Telephone Regulations and the New Reseller Regulations.

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.

When a case is initially presented to the Bureau by a customer, it is considered to be "open". At this time the BCS codes initial information about the type of problem and the utility involved. From this initial information, the Bureau calculates complaint rates as presented in Table 1.

A case is considered closed once the Bureau has completed its investigation and presented its findings. 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. The complaint analysis presented after Table 1 is based on telephone complaints that have been opened and closed by the BCS.

Specific Problems

In order to evaluate how major companies handle specific telephone problems, closed cases were aggregated into three groups: Chapter 64 complaints, Non-Chapter 64 complaints, and Chapter 64 suspensions. Again, this complaint information is based on closed cases rather than open cases. Therefore, all of the cases that are presented in Table 1 are not reflected in Chart 1 because all cases in Table 1 were not closed at the time this data was aggregated.

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 1991, telephone customers filed 516 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 six years are inaccurate. These inaccurate dispute statistics combined with documented instances of noncompliance with the dispute notification 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 fourteen years. In 1991, customers filed 554 non-Chapter 64 complaints against the major companies.

Chapter 64 Suspensions

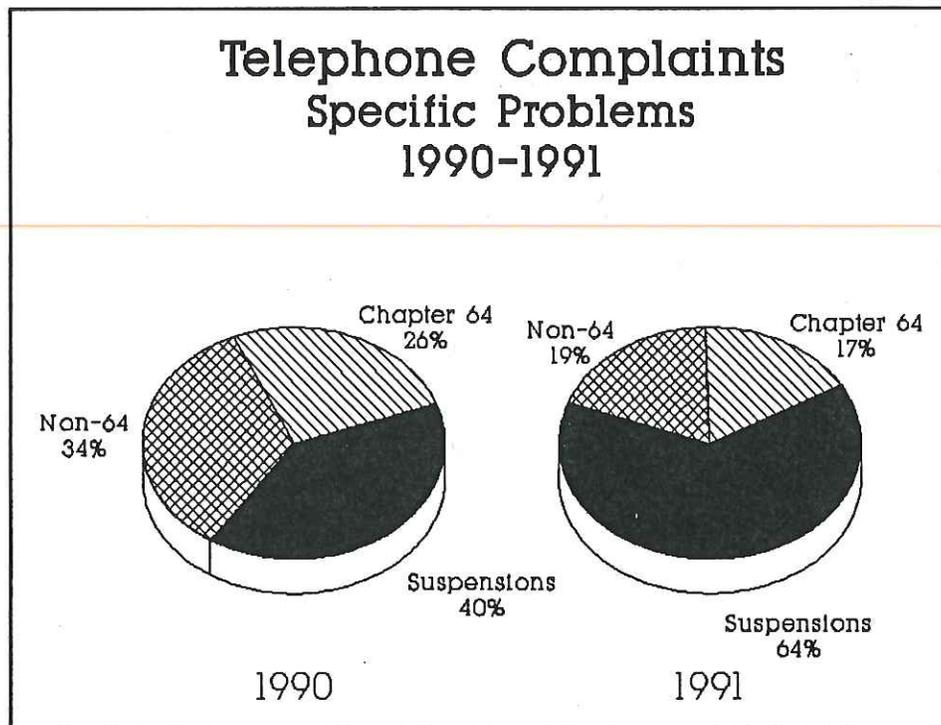
In Chapter 64, suspension is defined as a temporary cessation of service without the consent of the customer. Termination of service, according to Chapter 64, is the permanent cessation of service after a suspension without the consent of the customer. Most informal complaints relating to the cessation 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.

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 attempt to contact the Bureau. Nevertheless, in 1991, customers facing suspension or termination of one, or any combination of their telephone services -- basic, toll and nonbasic -- filed 1,925 informal complaints against the major telephone companies.

The Chart below presents a comparison of these three groups in 1990 and 1991. The most common problems are related to suspension of service. The proportion of suspension cases increased 24% from 1990 to 1991 while the proportion of Chapter 64 billing complaints decreased 9% and non Chapter 64 service complaints decreased 15% during this period. A more detailed account of these complaints can be found in Appendix D.

CHART 1



V. 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. However, high complaints are not necessarily bad if the percentage of justified complaints is low. That is why the Bureau uses justified complaint rate as the primary measure of utility complaint handling effectiveness.

1991 Residential Complaints

The total number of complaints against major telephone companies increased 19% from 1990 to 1991. While there were 2,689 complaints in 1990, the Bureau received 3,205 complaints in 1991 (see Table 1). GTE and Bell are primarily responsible for this large number of complaints. As with the record number of complaints recorded for 1990, 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 1
Residential Consumer Complaints
Major Telephone Companies
(1990-1991)

Company	1990		1991		1990-1991
	N	Complaint Rate	N	Complaint Rate	Percent Change in N
Alltel	70	.65	46	.42	-34%
Bell	2,250	.64	2,802	.79	25%
Commonwealth	68	.43	43	.27	-37%
Contel	63	.92	22	.33	-65%
GTE	148	.43	208	.59	41%
United	90	.37	84	.34	-7%
TOTAL	2,689		3,205		19%
AVERAGE		.57		.46	

Among the highlights from Table 1:

- * Over the past year, the Bureau discovered that the 1990 complaint statistics for Alltel were incorrect because ALLTEL, the parent company, misidentified complaints for its other companies as Alltel complaints. The company corrected this problem and the Bureau has amended 1990 complaint statistics for the company.
- * Bell had the highest complaint rate (.79) in the industry in 1991.
- * GTE experienced the largest percentage increase (41%) in complaints from 1990 to 1991. As a result of this increase, GTE's complaint rate is next to the highest in the industry.
- * Contel experienced the largest decrease (65%) in complaints from 1990 to 1991. Contel's complaint rate went from the highest in the industry in 1990 to next to the lowest in the industry in 1991.
- * Commonwealth's 37% decrease in complaints from 1990 to 1991 was next to the largest decrease and the third consecutive decrease for the company. Commonwealth had the lowest complaint rate among the major companies for the third consecutive year.

Summary

As a result of the increased volume of complaints filed against Bell and GTE, the overall number of complaints against the major telephone companies increased 19% from 1990 to 1991. However, the average complaint rate for the telephone industry as a whole dropped from .57 to .46 during this period as four of the six major companies experienced significant decreases in the number of complaints filed against them. In fact, half of the major companies experienced percentage decreases that were over 30% (see Table 1).

VI. 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 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 certain 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 or 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, inconclusive 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 following discussion focuses on those cases which are determined to be "justified."

Table 2
Residential
Justified Percent
Major Telephone Companies
(1990-1991)

Company Name	Justified Percent 1990	Justified Percent 1991	Net Change 1990-1991
Alltel	48%	49%	1%
Bell	54%	60%	6%
Commonwealth	56%	54%	- 2%
Contel	57%	47%	-10%
GTE	62%	64%	2%
United	66%	48%	-18%
AVERAGE	57%	54%	-3%

Among the highlights from Table 2:

- * As a group, the major telephone companies had fewer complaints that were deemed justified in 1991 than in 1990. The proportion of justified complaints against companies decreased by 3% from 1990 to 1991.
- * GTE had the highest percent of justified complaints among the major companies in 1991. Nearly two-thirds of GTE's complaints were deemed justified.
- * Bell's percent of justified complaints increased 6% from 1990 to 1991.
- * United had a significant decrease in the percent of justified complaints. United's percent of justified complaints dropped from 66% in 1990 to 48% in 1991.
- * Contel experienced a 10% decrease in the percent of justified complaints from 1990 to 1991 making Contel's percent of justified complaints the lowest in the industry.

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 1990 to 1991. Even so, more than half of the complaints filed against companies were not handled properly in 1991. This means that the telephone industry must work harder to insure that all customers are given their rights under the regulations.

VII. JUSTIFIED COMPLAINT 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:

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

This evaluative measure combines the quantitative measure of consumer complaint rate with the qualitative measure of effectiveness, the justified percent. The justified complaint rate is 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. Justified complaint rate is the most comprehensive and important performance measure of customer complaint handling.

Table 3
Justified Complaint Rate
Major Telephone Companies

Company	Justified Rate 1990	Justified Rate 1991	Net Change 1990-1991
Alltel	.31	.21	-.10
Bell	.35	.47	.12
Commonwealth	.24	.15	-.09
Contel	.52	.16	-.36
GTE	.27	.38	.11
United	.24	.16	-.08
AVERAGE	.32	.26	-.06

Among the highlights from Table 3:

- * Overall, major companies were more effective at handling consumer complaints in 1991 than in 1990.
- * Bell had the worst justified complaint rate in the industry which made the company the least effective at complaint handling in 1991. Bell's effectiveness at handling consumer complaints had improved from 1989 to 1990. Unfortunately, the company's gain in effective complaint handling during this period apparently dissipated in 1991. The Bureau is disappointed by this apparent decline in Bell's effectiveness.
- * GTE's effectiveness at handling consumer complaints deteriorated from 1990 to 1991. This leaves GTE with next to the worst justified complaint rate in 1991.
- * Alltel's justified complaint rate indicates that the company may have been more effective at handling consumer complaints in 1991 than in 1990. This improvement in justified complaint rate is apparently due to Alltel's complaint rate dropping from .65 in 1990 to .42 in 1991 as fewer Alltel customers brought complaints to the Commission. However, Alltel's exceedingly low dispute rate may reflect that the company did not follow the proper dispute notification procedures, so fewer customers were aware of their right to file complaints with the Bureau.
- * Contel's justified complaint rate ranking is tied for next to the best in the industry in 1991. This comes after Contel was ranked the least effective in 1990. Contel improved its effectiveness from 1990 to 1991 and became one of the more effective companies in 1991. The Bureau is encouraged by the company's dramatic improvement.
- * United was more effective at handling consumer complaints in 1991 than in 1990. In fact, United's justified complaint rate is tied with Contel's for next to the best in the industry in 1991.
- * Of all the major companies, Commonwealth was the most effective company in 1991. Commonwealth's justified complaint rate was one of the best in the industry for a third year in a row.

Summary

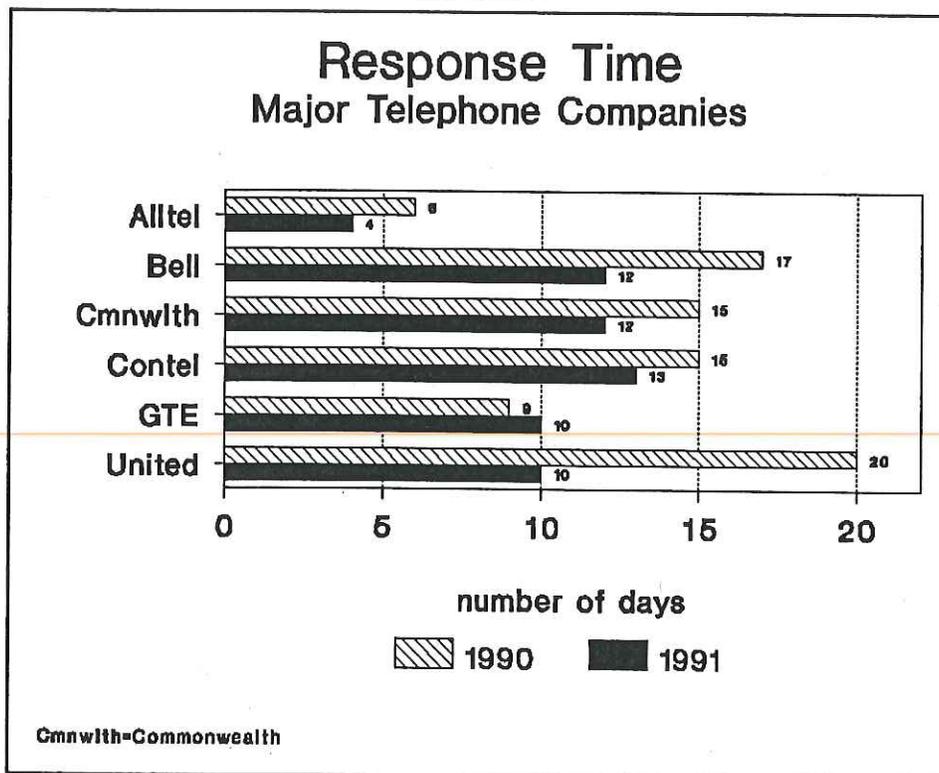
Justified complaint rate is the most important performance measure of customer complaint handling. It is a critical indicator of effectiveness. As a group, the major telephone companies' overall customer service performance improved from 1990 to 1991. Only Bell's and GTE's customer service performance declined 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 steps so customer problems are handled properly.

VIII. 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.

GRAPH 1



Among the findings revealed in Graph 1:

- * The average industry response time went from fourteen days in 1990 to ten days in 1991. This means that the industry's response time to customer complaints registered with the Bureau was four days faster in 1991.
- * Although Contel reduced its response time by 2 days from 1990 to 1991, the company's response time of 13 days was the worst in the industry in 1991.
- * Bell's response time of 12 days in 1991 was 5 days faster than the company's response time for 1990. This is the second time in four years that Bell had a response time that was less than one month.
- * United cut its 1990 response time in half in 1991. The company's response time went from 20 days to 10 days.
- * Alltel's response time was 1 day faster in 1991 than in 1990 and remained the best in the industry for a second year.

Summary

Overall, it took the major telephone companies less time to respond to consumer complaints in 1990 than in 1991. With the exception of GTE, the industry as a whole improved. 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 this trend in faster response times.

IX. COLLECTION STATISTICS

For the last seven 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.

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.

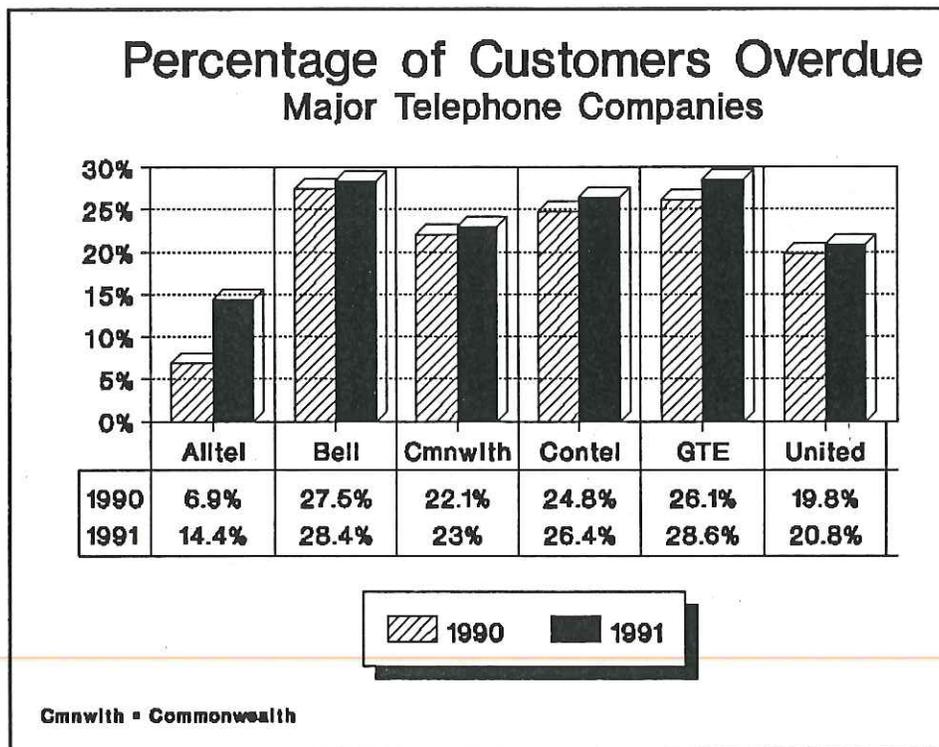
The quality of the statistics reported by companies have shown some improvement. For example, United's 1991 collection data includes separate statistics for basic service suspensions. The Bureau is encouraged by this development. However, the Bureau is still concerned about the reliability and accuracy of much of the information companies are reporting. The Bureau discovered, through questionnaires sent to all local companies, that companies are still providing the Bureau with incomplete and inaccurate statistics for the data items listed at §64.201. For example, Bell of PA informed the Bureau that the company provided the Bureau with incomplete overdue account figures for 1991. GTE also informed the Bureau that the company's 1990 data contained some estimated data and that changes from 1990 to 1991 reflect the company's provision of actual data for 1991. Unfortunately there are numerous examples of this problem.

As previously mentioned, the collection data requirements under which reporting is done at §64.201 do not reflect the current status of telephone collections. 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 1991, there were 1,231,185 telephone customers that were delinquent in paying their telephone bills. Comparisons among companies of the number of telephone customers who are in arrears cannot 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 correct for 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 Graph 2).

GRAPH 2



Among the findings revealed in Graph 2:

- * According to Bell and GTE nearly 30% of their customers were overdue in 1991 because of poor economic conditions in their service territories.
- * Alltel had the largest percentage increase (108.7%) in the number of overdue customers from 1990 to 1991. In 1990, Alltel's number of customers overdue was based on only the number of accounts that received a reminder or suspension notice. It appears that the company corrected this situation in 1991 by changing collection reporting so that all accounts that showed an outstanding balance were counted as overdue. It is understandable

that the percentage of customers overdue would increase dramatically since the company grossly under reported overdue statistics in 1990. Even so, Alltel had the lowest percentage of customers overdue in 1991.

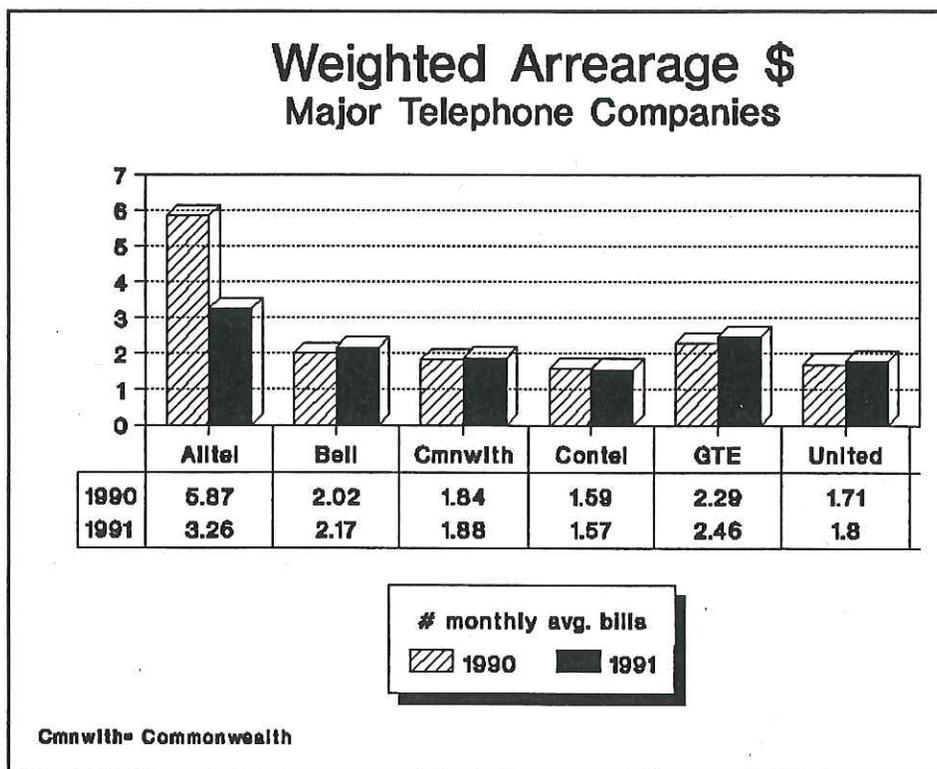
The percentage of customers overdue increased significantly from 1990 to 1991. Nearly one in four of residential customers were reported as having an overdue telephone bill during 1991. This level of overdue customers is significant because of the level of potential risk overdue bills present. Only through 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 1991. 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. Generally, 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 Graph 3 to compare individual company collection practices and to track individual companies over time.

GRAPH 3



Among the findings revealed in Graph 3:

- * The average weighted arrearage score for the major companies went from 2.55 in 1990 to 2.19 in 1991. Alltel's 44% decrease in weighted arrearage score caused the industry average to drop 14%.
- * Even with Alltel's vast improvement in weighted arrearage from 1990 to 1991, the company's score of 3.26 is still well above the industry average. Moreover, Alltel's weighted arrearage score shows that the company's average overdue bill represents over three months of average bills.
- * Bell had the second largest increase in weighted arrearage, a 8% increase from 1990 to 1991.
- * For three consecutive years, GTE had next to the worst weighted arrearage score in the industry. This means that GTE's weighted arrearage score (2.46) was also next to the worst in 1991.

- * Contel had the best weighted arrearage score in 1991 and the best in the industry for three consecutive years. Contel's 1991 weighted arrearage score represented a little more than one and a half average bills.

Overall, the weighted arrearage scores show that only one of the major companies improved significantly in this area. In 1991, the average overdue bill for the telephone industry represented slightly more than two 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. With the exception of Contel, it appears from the industry's 1991 weighted arrearage scores that the major companies' collection performance needs improvement.

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 the telephone bill 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 4).

There is little uniformity in how companies report their suspension data. Four of the six major companies (Alltel, Bell, Contel and United) can identify how many basic service suspensions they have in a given month. The remaining two companies (GTE and Commonwealth) cannot identify the number of basic service suspensions in a given month. Therefore, the 1991 service suspension figures for GTE, and Commonwealth are artificially higher than those reported for Alltel, Bell, Contel and United because they include basic, nonbasic and toll suspensions. GTE claims that the separation of suspension by service categories was not available. Commonwealth can report basic service suspensions separately, but since this is not required by Chapter 64 the company opted not to incur the additional expense to report these statistics separately. In order to correct this problem, the Bureau will recommend that companies be required to report basic, nonbasic, and toll service suspensions separately as part of the Bureau's proposed revisions to §64.201 reporting requirements.

Table 4
Number of
Residential Service Suspensions

Company	1990	1991	Percent Change 1990-1991
Alltel	8,388	8,352	No Change
Bell	318,072	389,088	22%
Commonwealth	17,484	19,248	10%
Contel	4,776	2,484	-48%
GTE	30,960	51,000	65%
United	18,084	15,312	N/A
TOTAL	397,764	485,484	22%

Among the findings revealed in Table 4:

- * After GTE more than doubled its suspensions from 1989 to 1990, it appeared that GTE's suspensions continued to climb from 1990 to 1991. The company experienced a 65% increase in suspensions during this period. However, GTE revealed that the 1990 suspension statistics were estimated while the 1991 suspension statistics reflect actual data.
- * Contel's suspensions fell 48% from 1990 to 1991, the largest decrease in the industry.
- * United's 1991 suspension statistics represents basic service suspensions so the Bureau cannot compare it to United's 1990 suspension statistics which included all types of suspensions.

The overall number of telephone service suspensions increased from 1990 to 1991. More customers had some portion of their phone service suspended during 1991. The Bureau cannot tell whether suspensions for basic service increased for all major companies since only four of the six companies report only basic service suspensions. In order to monitor basic service suspensions, the Bureau will propose that the Commission require companies to report separate statistics for basic, nonbasic, and toll suspensions.

Suspension Rate

There were over 480,000 residential suspensions in 1991. 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 5, 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 5
Suspension Rate ♦

Company	1990	1991
Alltel	7.79%	7.65%
Bell	9.06%	10.94%
Commonwealth	11.17%	12.02%
Contel	6.96%	3.69%
GTE	8.95%	14.42%
United	7.43%	6.17%
AVERAGE†	8.56%	9.15%

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

† *Mean of Scores*

Please Note: 1991 Suspension rates for Alltel, Bell, Contel and United represent basic service suspensions. Suspension rates for Commonwealth, GTE and United's 1990 suspensions include basic, nonbasic, and toll service suspensions.

On a whole, the suspension rate for the telephone industry was higher in 1991 than in 1990. While the suspension rates of Alltel and Contel dropped from 1990 to 1991, United's suspension rate decreased partly because the company excluded nonbasic and toll from its 1991 suspension statistics. The three other major companies (Bell, Commonwealth and GTE) experienced an increase in their suspension rates during this period. GTE had the largest

increase among these companies. Unfortunately, the Bureau cannot determine what service suspensions caused GTE's or Commonwealth's suspension rates to increase in 1991

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 the applicant was an established customer. This requirement makes it important to examine both service suspensions and terminations. The major telephone companies terminated 138,948 residential customers in 1991 (see Table 6).

Table 6
Termination of Service

Company	1990	1991	Percent Change 1990-1991
Alltel	2,568	2,472	-4%
Bell	104,796	116,964	12%
Commonwealth	2,868	3,156	10%
Contel	1,068	696	-35%
GTE	6,324	9,204	46%
United	5,664	6,456	14%
TOTAL	123,288	138,948	13%

Among the findings revealed in Table 6:

- * The overall number of service terminations for the telephone industry increased (13%) from 1990 to 1991. Several companies attributed this increase to poor economic conditions in their particular service territories.
- * GTE reported 46% more terminations in 1991 than in 1990. This is the largest percentage increase in the number of terminations reported by GTE over the last three years.

- * Bell experienced a 12% increase in the number of residential accounts the company terminated from 1990 to 1991. In other words, over twelve thousand additional residential accounts lost telephone service in 1991.
- * Contel terminated 35% fewer customers in 1991 than in 1990, a significant decrease from 1990. The company attributes this decrease to having a customer base that has not been impacted as severely by the economy and the company having a high customer/representative ratio to handle problems in their early stages.

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 whose service was terminated. The termination rate, as shown in Table 7, 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 have service terminated annually (see Table 7).

Table 7
Termination Rate ♦

Company	1990	1991
Alltel	2.38%	2.26%
Bell	2.98%	3.29%
Commonwealth	1.83%	1.97%
Contel	1.56%	1.03%
GTE	1.83%	2.60%
United	2.33%	2.65%
AVERAGE†	2.15%	2.30%

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

† *Mean of Scores*

Among the findings revealed in Table 7:

- * Over two percent of residential telephone customers had their telephone service terminated in 1991.
- * Bell's termination rate was the highest among the six major companies in 1991.
- * Contel had the lowest termination rate (1.03%) in 1991 and the lowest termination rate in the industry for a second consecutive year.

The major telephone companies increased service terminations by 13% from 1990 to 1991. Generally, companies believe that this increase in terminations is primarily due to the poor economic climate. The Bureau believes that it is important to determine how suspension practices impact on the number of service terminations. However, the Bureau finds it difficult to determine how many basic service suspensions ended in terminations because of the way companies collect and report their residential suspension data.

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 1991, telephone companies reported over \$78 million in gross write-offs and \$70 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 are 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 8).

Table 8
Percentage of Residential Billings
Written-Off As Uncollectible

Company	1990	1991	Percent Change 1990-1991
Alltel	1.41%	2.19%	55%
Bell	2.23%	3.15%	41%
Commonwealth	1.23%	1.44%	17%
Contel	1.05%	.99%	-6%
GTE	2.19%	3.70%	69%
United	1.08%	1.50%	39%
AVERAGE†	1.53%	2.16%	41%

† Mean of Scores

Among the findings revealed in Table 8:

- * The percentage of revenues written off as uncollectible by major telephone companies increased dramatically from 1990 to 1991. Again, companies attributed this increase to the economy.
- * GTE's percentage of revenues written-off went from 2.19% in 1990 to 3.70% in 1991, the highest percentage of revenues written-off among major companies in 1991.
- * For the first time in three years, Bell did not have the highest percentage of revenues written-off. Even so, Bell experienced a substantial increase in residential net write-offs

from 1990 to 1991 and had next to the highest percentage of revenues written off (3.15%).

- * As a result of a sizeable increase, Alltel's write-off percentage was slightly above the industry average in 1991.
- * Even though United's percentage of revenues written off has remained well below the industry average from 1990 to 1991, United experienced a significant increase in the percentage written off during this period.
- * Contel is the only company that experienced a decrease (6%) in the percentage of revenues written off as uncollectible from 1990 to 1991.

Chapter 64 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's 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 503 Chapter 64 complaints received in 1991 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. Also, high dispute numbers may reflect that companies are identifying and documenting disputes properly. Documented instances of noncompliance with the dispute provisions combined with inaccurate dispute statistics reported by companies over the last five 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, there were 57,535 disputes handled by the six major companies in 1991. 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 9, is the number of disputes per thousand residential customers (see Appendix B 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. A high dispute rate reflects companies' ability to identify and document disputes. A low dispute rate indicates that companies are not properly identifying disputes.

Table 9
Chapter 64 Disputes
Major Telephone Companies
(1990-1991)

Company	1990		1991		1990-1991
	N	Dispute Rate	N	Dispute Rate	Percent Change in N
Alltel	90	.84	78	.71	-13%
Bell	49,783	14.18	51,502	14.49	3%
Commonwealth	890	5.69	872	5.44	-2%
Contel	235	3.43	216	3.43	-8%
GTE	2,360	6.80	4,227	11.95	79%
United	509	2.09	640	2.09	26%
Total	53,867	5.51	57,535	6.40	7%

Among the findings revealed in Table 9:

- * From 1990 to 1991, three of the six major companies experienced an increase in the number of recorded disputes.
- * GTE experienced a 79% increase in the number of recorded disputes from 1990 to 1991, the largest among the major companies. This may indicate that GTE has improved the way the company maintains dispute records.

- * Bell maintained the record number of disputes reported in 1990 with a gain of 3% from 1990 to 1991. This level of recorded disputes is not surprising since it is apparently due to continued improvements in the way the company has been identifying and maintaining dispute records.

- * Alltel had the largest decrease (13%) in recorded disputes from 1990 to 1991. This decrease, in conjunction with an exceedingly low dispute rate may indicate that Alltel has not identified disputes properly and may not be advising customers of their right to appeal to the Commission.

X. 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 1990 and 1991. 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 PUC and Bell reached an agreement to settle the formal complaint. The Commission approved the settlement and the order was entered September 4, 1991.

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, after receiving consumer complaints indicative of unfair and misleading sales efforts in the marketing of optional custom calling services, the BCS in conjunction with the Law Bureau conducted an informal investigation into GTE's sales practices. They reached a settlement with GTE 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 1990 and 1991. The violation statistics for the major telephone companies are presented by company and year in Table 10 and Graph 4.

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 10 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 a 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 10
Informal Violations of Chapter 64: 1989-1991
Major Telephone Companies

Company	1989	1990	1991 Total [•]	1991 Total Number Verified	1991 Total Number Pending [■]
Alltel	37	47	17	10	7
Bell	971	1029	870 [◆]	445	425
Commonwealth	14	36	24	21	3
Contel	17	98	19	12	7
GTE	72	99	78	54	24
United	56	63	48	42	6
TOTAL	1167	1372	1056[◆]	584	472

- *The total number of violations for 1991 (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 1991 may increase as new violations are discovered and cited from customer complaints which originated in 1991 but are still under investigation.*
- ◆ *Although the number of violations with a final determination of "alleged" is not usually reported in this format, circumstances warrant mentioning those violations in this year's report. Normally, the outcome of "alleged" is recorded because, given the available information, a conclusive determination cannot be made. The number of Bell of Pennsylvania's violations recorded as "alleged" in 1991 is 1,252. Because the overwhelming majority of these were recorded as alleged for reasons other than an inability to reach a conclusive determination, they should be included in order to give a more accurate picture of Bell's compliance performance.*

At the time the Settlement Order was entered, it was decided that any pending violations and any apparent violations identified from that date on, but with a date of occurrence prior to September 4, 1991, should be recorded as "alleged." In an attempt to focus on those problems occurring after the date of settlement, and with the belief that most of the systematic problems had already been identified and would be addressed through the quarterly meetings as provided in the Settlement Agreement, it was decided that the violations that occurred prior to Settlement should be identified and tracked, but not treated in the customary manner.

Although some of the 1,252 alleged violations are decidedly alleged, and some portion would have been determined alleged or dismissed, a significant portion would have been upheld as verified. Consequently, a total violation number of 870 does not present a true picture of Bell's compliance without also mentioning the 1,252 "alleged" violations.

■ *The number of pending violations for the major companies excluding Bell has increased each year since 1988. In trying to determine the reason for the increase, another problem which may be a contributing factor was discovered.*

The 1991 informal complaints that resulted in compliance action show that, when responding to the cited violations, three of the five major companies were late more than half the time. The worst offender was United Telephone who responded on time to only 11% of the violation summaries. GTE did not fare much better. Of the responses due, involving 1991 cases, 78% were late. This failure to respond in a timely fashion definitely impacted on the number of GTE's pending violations, because 23 of the 24 pending were due to be answered by GTE prior to the collection date for the compliance data.

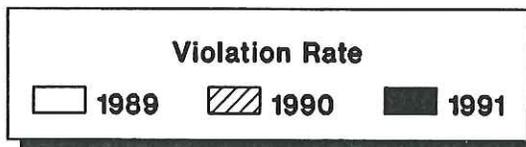
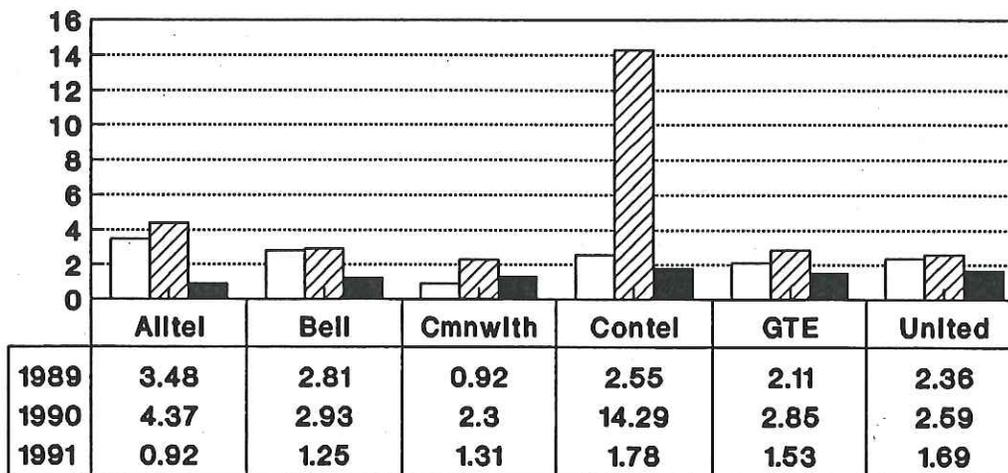
Commonwealth and Alltel had the best response time with less than one quarter of their responses arriving after the 30 day period set for responding. There was a difference between the companies in the degree of lateness, however; Alltel's responses were less than 10 days late compared to over 60 days late for Commonwealth's.

This failure to respond within the 30 days provided at the informal level, indicates the possibility of an even more distressing problem. It indicates that companies may not take the informal violation notification process seriously enough. For the process to be effective a company must, upon notification of a violation, conduct a thorough review of the case involved in order to either verify the accuracy of the summary of facts contained in the compliance letter or to provide the specific information needed to demonstrate the inaccuracy of that summary. Once the facts are agreed upon, the company must state the cause of the incident and all corrective actions that will be taken to ensure future compliance. The company

is to respond with this information within 30 days of the date of the compliance letter. If companies continue to regard the informal compliance notification process with the indifference demonstrated by consistently late responses, other methods will be considered in order to ensure compliance with the regulations.

GRAPH 4

Violation Rate 1989-1991 + Major Telephone Companies



Cmnwlth= Commonwealth

+ *The violation rate for 1991 is preliminary. The number of pending violations for 1991 ranges from a low of 12% of total violations to a high of 49% (Bell 49%, Alltel 41%, Contel 37%, GTE 31%, Commonwealth 12%, and United 12%). Because the data is incomplete, it is unfair to draw conclusions based on that data. After all the violations are responded to and the data entered, the individual companies will be notified of the ending violation rates and how each compares to the others.*

The highlights from Table 10 and Graph 4 include the following:

- * As presented in Table 10, compliance performance has improved from 1990 to 1991. Some of the companies even managed an improvement from 1989 to 1991.
- * One thing that can be said conclusively about the violation rates shown in Graph 4 is that even if all the pending violations are finally determined to be verified, each of the companies will have a violation rate that shows an improvement over last year's. Bell's figures, however, as explained previously, must be viewed with caution because such a significant amount of Bell's apparent violations were dealt with in a divergent manner as a result of the formal complaint.
- * Alltel has a good chance of showing the lowest violation rate for 1991. This is a commendable improvement considering that in 1990 their violation rate was the second highest.
- * Alltel, for the first time in 3 years, experienced a decrease in verified violations. The 78% decrease in verified violations from 1990 to 1991 was significant. In addition, the break in the pattern of increasing violations that started in 1988, is most encouraging.
- * Contel experienced an 87% decrease in the number of verified violations from 1990 to 1991, coming close to the 1989 total which was their lowest in a five year period.
- * Although Contel's violation rate shows the most dramatic drop from an all-time high of 14.29 violations per 10,000 customers in 1990, the odds are that Contel will again questionably distinguish themselves by demonstrating the worst compliance performance in the industry as determined by the violation rate.
- * Commonwealth will end up with the lowest or next to the lowest violation rate per 10,000 customers.
- * Commonwealth reduced the number of verified violations from 1990 by more than one-third. A fluctuating pattern of violations does present itself going back to 1987. That year Commonwealth showed the lowest number of verified violations -- 6. The number shoots up to 24 in 1988 then down to 14 in 1989 then up to 36 in 1990 then down to 21 in 1991.
- * GTE experienced a 45% decrease in the number of verified violations from 1990 to 1991. It is, however, premature to congratulate them on this decrease because of the 24 pending violations.
- * United finally broke the pattern of increasing violations demonstrated over the last three years. This 33% decrease in the number of violations from 1990 to 1991 is heartening. This also represents a 25% decrease in verified violations from 1989 to 1991.

- * It is difficult to comment on Bell's 1991 compliance performance with almost half the violations still pending and with the circumstances involving the formal complaint modifying the process by which final determinations are made for Bell's violations prior to Settlement. It can be said, however, that when viewing all of Bell's numbers -- 1,252 alleged violations, 445 verified violations, and 425 pending violations -- a total of 2,132 violations simply being cited in one year underscores the reason why formal action was pursued.

Distribution of Informally Verified Violations

Tables 11 and 12 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 (76%) of the verified violations belong to Bell of Pennsylvania, the 5 other major companies are presented together in a separate table (Table 12). These tables can help the telephone companies focus on those areas of Chapter 64 most in need of company effort and attention.

Although one half of Bell's total violations and one quarter of the 5 other major companies' total violations are still pending, it is, nevertheless, possible to gain insight into the compliance situation. Of Bell's 425 pending violations, 278 or 65% are alleged violations of §64.72, Suspension Notice Information. As is indicated in Table 11, the second and third most commonly violated sections of Chapter 64 in 1991 are §64.141 and §64.74. Of Bell's pending violations, 11% are alleged §64.74 and 10% are alleged §64.141.

Of the 47 pending violations belonging to the 5 other major companies, almost one third are alleged §64.74 violations. The next highest group of pending violations are alleged §64.72 violations. The remaining pending allegations are distributed among 15 other areas of Chapter 64.

Table 11
Most Commonly Violated Areas of Chapter 64
Bell of Pennsylvania

Section	1990		1991	
	N	%	N	%
§64.14 - Billing Information	26	3%	18	4%
§64.21 - Separate Billing	42	4%	118	27%
§64.34 - Written Credit Procedures	53	5%	8	2%
§64.63 - Unauthorized Suspension of Service	49	5%	13	3%
§64.71 - Notice Requirement Prior to Suspension	14	1%	7	2%
§64.72 - Suspension Notice Information	127	12%	38	9%
§64.73 - Notice of Suspension While Dispute Pending	18	2%	3	1%
§64.74 - Procedures Prior to Suspension	102	10%	52	12%
§64.123 - Termination Notice Information	17	2%	21	5%
§64.141 - Dispute Procedures - Telephone Company	247	24%	56	13%
§64.142 - Contents of Utility Reports	12	1%	1	--
§64.153 - Commission Informal Complaint Procedures	164	16%	40	9%
§64.181 - Restoration After Suspension	85	8%	50	11%
§64.192 - Record Maintenance	19	2%	5	1%
OTHER - Remainder of 1990 violations fall into 16 other sections. Remainder of 1991 violations fall into 8 other sections.	54	5%	15	3%
TOTAL	1,029		445	

The highlights from Table 11 include the following:

- * When ordered from the highest to the lowest number of verified violations, the same five compliance problems appear at the top of the list for both 1990 and 1991 with the exception of Separate Billing.
- * Informally verified violations of the Chapter 64 provisions relating to the separate billing of basic, toll and nonbasic services (§64.21) account for 21% of Bell's verified violations in 1991. Bell now appears to have corrected the problem by revising their termination notices to reflect the Commission's explicit instruction that local exchange carriers list the balance due for each service separately and treat them independently for termination purposes.
- * Of major concern last year was the increase in the number of verified violations relating to Commission Informal Complaint Procedures (§64.153) which this table shows account for 16% of the total verified violations for 1990. Although this year's percentage of 9% still places this problem in the top five, the number of violations of this provision has decreased substantially. Only 9 of the 425 pending violations involve this provision which, when added to those already verified, totals 30% of last year's number of verified violations. Of course, there are those violations of §64.153 that may have been placed in the alleged category due to the settlement; however, the total number of alleged is 49 which still allows for an improvement over last year.
- * Dispute handling is still a major problem for Bell. The numbers presented in this table should not lull Bell into an inappropriate complacency regarding their compliance with dispute procedures. Although Bell appears to have cut the percentage of total violations almost in half and to have accumulated less than one quarter the number of verified violations of §64.141 amassed in 1990, there are 43 pending violations of this provision and 208 alleged violations which should temper any praise.

Table 12
 Most Commonly Violated Areas of Chapter 64
 Alltel, Commonwealth, Contel, GTE, and United

Section	1990		1991	
	N	%	N	%
§64.12 - Due Date for Payment	19	6%	0	--
§64.17 - Partial Payments/No Arrears	23	7%	2	1%
§64.21 - Separate Billing	7	2%	2	1%
§64.34 - Written Credit Procedures	27	8%	7	5%
§64.63 - Unauthorized Suspension of Service	29	8%	6	4%
§64.71 - Notice Requirement Prior to Suspension	13	4%	3	2%
§64.72 - Suspension Notice Information	34	10%	15	11%
§64.74 - Procedures Prior to Suspension	69	20%	37	27%
§64.123 - Termination Notice Information	5	1%	1	1%
§64.141 - Dispute Procedures - Telephone Company	49	14%	39	28%
§64.142 - Contents of Utility Reports	16	5%	5	4%
§64.153 - Commission Informal Complaint Procedures	19	6%	14	10%
OTHER - Remainder of 1990 violations fall into 13 other sections Remainder of 1991 violations fall into 5 other sections.	33	10%	8	6%
TOTAL	343		139	

The highlights from Table 12 include the following:

- * Dispute handling continues to be a problem for these 5 major telephone companies. In fact, compliance with dispute procedures is the number one problem in 1991, involving twice the percentage of total verified violations as it did in 1990 when it was the second most common compliance problem.
- * Informally verified violations of the Chapter 64 provisions relating to suspension of service (§64.63 through §64.74) account for 44% of the total violations in 1991. Furthermore, 23 of the pending violations fall into this section which means that the final tabulation will show an even gloomier picture. Although the actual number of violations of these provisions has decreased, greater improvement is needed considering the importance of these provisions and their direct relationship to loss of service.
- * The number of verified violations involving written credit procedures was the lowest in three years. Considering the fact that this was a troublesome area of compliance last year, the major companies did well in reducing the violations by two-thirds.

Summary

This year's decrease in verified violations might, under different circumstances, be cause for celebration; instead, it deserves only small praise. Yes, the number of verified violations decreased substantially from 1,372 in 1990 to 584 in 1991, but there are still 472 pending violations remaining and the majority of those pending violations, according to past history, will be upheld as verified. Yes, Bell showed a large reduction in the amount of verified violations from 1990 to 1991, but it is much less meaningful when consideration is taken of the sizeable portion of the 1,252 alleged violations for 1991 that were excluded from the total due to the Settlement of the Formal Complaint against Bell. Yes, the violation rates are lower than last year's, some dramatically so, but at least half the companies are taking more and more time beyond the 30 days to respond to compliance notifications from BCS.

And so a shadowy compliance picture emerges. In order to brighten it, compliance as a whole must improve. The message to companies is that the Bureau of Consumer Services strongly encourages them to take advantage of the Bureau's informal notification process. It admonishes those companies such as GTE and United who are hindering that process with consistently late responses.

BCS also encourages companies to develop their own methods of identifying compliance problems before they come to the Commission's attention. By doing this, and by tracking violations and complaints and treating them as potential error signals, the companies can pinpoint problematic procedures and employee errors which give rise to violations and complaints.

If this is not done and company operations are not further improved to the satisfaction of the PUC, the cooperative methods of enforcement will be put aside in favor of stronger

enforcement action. Evidence is building that the more coercive methods such as formal complaints and informal investigations are effective in dealing with problematic performance.

XI. CONCLUSION

This fourth annual telephone report presents the Bureau's assessment of the telephone industry's customer service performance for the year 1991. 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 1991, the total number of complaints against the telephone industry was significantly higher than the record level that was set in 1988. However, major telephone companies, with the exception of Bell and GTE, had fewer complaints in 1991 than in 1990.

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 1991. The percent of justified complaints decreased by 3% from 1990 to 1991. Even so, more than half of the complaints filed against companies in 1991 were justified complaints. As a result of a decrease in the volume of complaints for most companies and a lower percentage of justified complaints for three of the six, major companies' effectiveness, as measured by the justified complaint rate, improved from 1990 to 1991.

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 1991 than in 1990. On average, the industry's response time to informal complaints registered with the Bureau was four days faster.

Collections Statistics

After more than seven years, all companies are still not reporting complete and accurate billing and collection statistics as required under Chapter 64 reporting requirements. Furthermore, the reporting requirements are inadequate because they do not reflect current billing and collections issues. Thus, the Bureau is unable to provide a comprehensive analysis of all the important aspects of telephone company collection practices (i.e. suspension, write-offs) in its annual assessment of the industry. Nevertheless, findings based on the remaining collection statistics suggest that telephone industry collection practices were not entirely effective. The number of service terminations increased 13% from 1990 to 1991. The average amount owed in overdue telephone bills as measured by weighted arrearage scores decreased 14% from 1990 to 1991. However, this shift in weighted arrearage reflects the impact of Alltel's weighted arrearage score dropping from 5.87 to 3.26 during this period. Telephone industry uncollectibles from residential accounts grew slightly in 1991. Most companies attribute this growth to high toll usage (i.e. 900 numbers) and the poor economy. All in all, it appears from the data reported that the telephone industry's collection performance declined. Yet the Bureau cannot do a thorough assessment of the telephone industry collection practices until deficiencies in the reporting requirements and inaccurate reporting by companies are corrected. The Bureau will take the appropriate enforcement action (i.e. fines) to get companies to comply. Meanwhile, the Bureau will propose that reporting requirements be changed to correct these glaring deficiencies, particularly those related to the telephone industry's uncollectibles.

Compliance

All six major companies demonstrated improvement in compliance performance in 1991. But look beyond the statistics and what emerges is a compliance picture filled with shadows. Some of the shadows are temporary and will disappear in the light of complete data. Other shadows remain, however, continuing to obscure the compliance picture for this year: failure to respond to violation notifications on time; failure to achieve routine compliance with dispute handling procedures; failure to follow the Chapter 64 provisions relating to suspension of service.

Companies have yet to achieve what can be considered routine compliance with these important Chapter 64 regulations. For the past 4 years, these provisions have appeared again and again as the most commonly violated areas of Chapter 64. The BCS would like to see companies focus some effort on using the informal violation process as it is intended to be used. The written compliance notification process provides the utility with information that can be used to pinpoint and voluntarily correct deficiencies in customer service operations. Companies would be wise to take the opportunity to use the information regarding violations in a constructive manner to make improvements in their systems that will lead to routine compliance with the regulations.

Summary

This report highlights individual company performance as well as the telephone industry's performance. Individual company performance is evaluated and scored in three areas: complaints, collections and compliance. Individual performance, as measured by the problem indicators discussed earlier, shows that company performance ranged from better than average to very poor in 1991. Most companies' overall customer service performance improved from 1990 to 1991. However, Bell and GTE were the only two companies whose overall customer service performance deteriorated. Bell's overall performance is ranked the worst in the industry in 1991. Bell's scores in the area of complaints were worse than the industry average. GTE's overall performance was next to the worst in 1991. On the positive side, Alltel's, Contel's, and United's overall performance was better than average. For a third year, Commonwealth's performance remained the best in the industry. Thus, it appears that out of all the major companies, Commonwealth may be the most effective. Collectively, the major companies' performance improved in 1991. Although all the problem indicators used to evaluate companies supports this, it is important to note that none of the majors showed substantial improvement in all three areas evaluated here. 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 take action against those companies that do not act to arrest declines in customer services performance.

APPENDIX A

Table 1
Residential Complaints - Major Telephone Companies
(1987-1991)

Company	Number of Complaints				
	1987	1988	1989	1990	1991
Alltel	86	63	60	70	46
Bell	924	2,285	2,316	2,250	2,802
Commonwealth	62	60	45	68	43
Contel	44	31	39	63	22
GTE	148	137	115	148	208
United	94	85	90	90	84
TOTAL	1,358	2,661	2,665	2,689	3,205

Table 2
Percent Change in Number of Residential Complaints
(1987-1991)

Company	Percent Change in N				Percent Change in N 1987-1991
	1987 - 1988	1988 - 1989	1989 - 1990	1990 - 1991	
Alltel	-27%	-5%	38%	-34%	-47%
Bell	147%	1%	-3%	25%	203%
Commonwealth	-3%	-25%	51%	-37%	-31%
Contel	-30%	-26%	62%	-65%	-50%
GTE	-29%	-16%	29%	41%	41%
United	-10%	-6%	No Change	-7%	-11%
TOTAL	96%	No Change	1	19%	136%

Table 3
Complaint Rate - Major Telephone Companies
(1987 - 1991)

Company	Complaint Rate				
	1987	1988	1989	1990	1991
Alltel	.83	.60	.56	.65	.42
Bell	.27	.67	.67	.64	.79
Commonwealth	.46	.41	.29	.43	.27
Contel	.70	.48	.59	.92	.33
GTE	.45	.41	.34	.43	.59
United	.42	.37	.38	.37	.34
AVERAGE	.52	.49	.47	.57	.46
1987-1991 (Average Rate) .50					

Table 4
Complaint Rate

Company	Average Rate (1987-1989)	1990	1991
Alltel	.66	.65	.42
Bell	.54	.64	.79
Commonwealth	.39	.43	.27
Contel	.59	.92	.33
GTE	.40	.43	.59
United	.39	.37	.34
AVERAGE	.50	.57	.46

Table 5
Justified Complaint Rate
(1987-1991)

Company	Justified Complaint Rate				
	1987	1988	1989	1990	1991
Alltel	.42	.35	.38	.31	.21
Bell	.14	.42	.44	.35	.47
Commonwealth	.29	.16	.23	.24	.15
Contel	.54	.25	.28	.52	.16
GTE	.30	.18	.23	.27	.38
United	.24	.19	.26	.24	.16
AVERAGE	.32	.26	.30	.32	.26
1987-1991 (Average Rate) .29					

Table 6
Average Justified Complaint Rate

Company	Average Rate (1987-1989)	1990	1991
Alltel	.38	.31	.21
Bell	.33	.35	.47
Commonwealth	.23	.24	.15
Contel	.36	.52	.16
GTE	.24	.27	.38
United	.23	.24	.16
AVERAGE	.30	.32	.26

APPENDIX B

Table 1
Residential-Commercial Complaints
Industry Proportion
(1991)

TOTAL	Residential	% Residential	Commercial	% Commercial
4,225	3,671	87%	554	13%

Table 2
Monthly Average Number of Residential Customers
Major Telephone Companies
(1991)

Alltel	109,185
Bell	3,555,063
Commonwealth	160,190
Contel	67,264
GTE	353,681
United	247,976
TOTAL	4,493,359

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
CONSUMER COMPLAINTS SPECIFIC PROBLEMS

CHAPTER 64					
Company	1990 N	Complaint Rate	1991 N	Complaint Rate	1990-1991 % Change in N
Alltel	8	.13	13	.12	63%
Bell	511	.15	419	.12	-18%
Commonwealth	12	.08	10	.06	-17%
Contel	14	.20	2	.03	-86%
GTE	41	.12	52	.15	27%
United	24	.10	20	.08	-17%
TOTAL	610		516		-18%
AVERAGE		.13		.09	
NON-CHAPTER 64					
Alltel	25	.33	12	.11	-52%
Bell	604	.17	399	.11	-34%
Commonwealth	32	.20	21	.13	-34%
Contel	27	.39	8	.12	-70%
GTE	63	.18	79	.22	25%
United	32	.13	35	.14	9%
TOTAL	783		554		-29%
AVERAGE		.23		.14	
SUSPENSIONS					
Alltel	13	.12	11	.10	-15%
Bell	824	.23	1818	.51	121%
Commonwealth	13	.08	11	.07	-15%
Contel	12	.17	8	.12	-33%
GTE	27	.08	58	.16	115%
United	20	.08	19	.08	-5%
TOTAL	909		1925		112%
AVERAGE		.13		.17	

**APPENDIX D - TABLE 2
JUSTIFIED PERCENT SPECIFIC PROBLEMS**

CHAPTER 64			
Company	1990	1991	Net Change 1990-1991
Alltel	50%	42%	-8%
Bell	57%	62%	5%
Commonwealth	75%	50%	-25%
Contel	57%	0%	-57%
GTE	72%	72%	No Change
United	63%	39%	-24%
AVERAGE	62%	44%	-18%
NON-CHAPTER 64			
Company	1990	1991	Net Change 1990-1991
Alltel	44%	56%	12%
Bell	48%	46%	-2%
Commonwealth	36%	44%	8%
Contel	33%	20%	-13%
GTE	53%	61%	8%
United	62%	44%	-18%
AVERAGE	46%	45%	-1%
SUSPENSIONS			
Company	1990	1991	Net Change 1990-1991
Alltel	54%	60%	6%
Bell	54%	61%	7%
Commonwealth	77%	73%	-4%
Contel	100%	75%	-25%
GTE	67%	61%	-6%
United	74%	65%	-9%
AVERAGE	71%	66%	-5%

**APPENDIX D - TABLE 3
RESPONSE TIME SPECIFIC COMPLAINTS**

CHAPTER 64			
Company	Average Time in Days 1990	Average Time in Days 1991	Net Change 1990-1991
Alltel	4	6	2
Bell	21	17	-4
Commonwealth	11	11	0
Contel	19	18	-1
GTE	9	10	1
United	23	9	-14
AVERAGE	15	12	-3
NON-CHAPTER 64			
Alltel	4	2	-2
Bell	19	19	No Change
Commonwealth	14	12	-2
Contel	10	12	2
GTE	18	9	-9
United	12	10	-2
AVERAGE	13	11	-2
SUSPENSIONS			
Alltel	5	5	No Change
Bell	13	10	-3
Commonwealth	10	14	4
Contel	13	13	0
GTE	8	11	3
United	18	10	-8
AVERAGE	11	11	No Change

**APPENDIX D - TABLE 4
JUSTIFIED COMPLAINT RATE SPECIFIC PROBLEMS**

CHAPTER 64			
Company	1990	1991	Net Change 1990-1991
Alltel	.04	.05	.01
Bell	.08	.07	-.01
Commonwealth	.06	.03	-.03
Contel	.11	.00	-.11
GTE	.09	.11	-.02
United	.06	.03	-.03
AVERAGE	.07	.05	-.02
NON-CHAPTER 64			
Company	1990	1991	Net Change 1990-1991
Alltel	.12	.06	-.06
Bell	.08	.05	-.03
Commonwealth	.07	.06	-.01
Contel	.13	.02	-.11
GTE	.10	.13	.03
United	.08	.06	-.02
AVERAGE	.10	.06	-.04
SUSPENSIONS			
Company	1990	1991	Net Change 1990-1991
Alltel	.07	.06	-.01
Bell	.12	.31	.19
Commonwealth	.06	.05	-.01
Contel	.17	.09	-.08
GTE	.05	.10	.05
United	.06	.05	-.01
AVERAGE	.09	.11	.02