

City Council Meeting – March 5, 2007
Public Hearing on Item 07R-55 - Time Warner Performance Evaluation
(1:31:30)

Thank you and good afternoon. My name is **BETH SCARBOROUGH**. I am the president of Time Warner Cable Nebraska, and I appreciate the opportunity to come before you today and to comment on the Navigator software and the proposed resolution and I may need just a couple minutes more than 5, but no more than that. I'll be the only speaker from Time Warner. Today, I would like to address several things, including why Time Warner changed its software from Passport to Navigator, why Lincoln was an early market for launch, some of the problems that we've experienced, and how we're resolving those problems.

For those of you who don't know, Navigator is the software that sits on our converters that allows customers to get programming information. It's also the user interface for video on demand and digital video recorders. Prior to last year, we did use a third party vendor that provided a similar interface called Passport. Now going to a third party from a third party proprietary guide software to our own guide software was a decision that we made several years ago for a number of reasons. I think all of you realize that the breadth of programming now available to customers is really remarkable compared to what it was even five years ago. In our case, we have 350 channels of programming that we provide programming information on. And customers' TV viewing habits are really changing dramatically. We are watching what we want to watch, when we want to watch it, on a variety of mediums. They include our iPod, our cell phone, our computer, and our television – but more and more to those other mediums. I think we've tried to be a forward-thinking company. I think we have a great track record for innovation, but we did feel that in order to meet the demands that our customers have and will have in the future, we needed to manage our own interface.

Navigator plays a major role in I think that the viewing habits that I spoke about, and I think it's why we such a passionate response about the features and functionality. Rightly so. Our customers really feel like they need to have a say in the features and design of Navigator. And we are listening to them. When we first reviewed this product in the spring of last year, we knew this was going to be a very tough customer education challenge. The look and the design of Navigator was significantly different from our old guide, but we did develop a very thorough communication plan and education plan. We asked for some design changes that we got before we went to our first customers last August. We continued that controlled rollout – a few at a time – until all customers were converted in the middle of December, 2006. I think with a lot of roll-outs with a new product and services in a large company like ours, various locations are chosen to be first to market. Time Warner Cable in Portland, Maine was the first to launch Roadrunner. Austin is going to be the first market where we're going to offer a cell phone service in conjunction with Sprint. Lincoln, along with Charlotte, North Carolina; Milwaukee and Kansas City were selected as early markets for Navigator. Lincoln was not chosen because it was some small backwater location where we felt we could bring some inferior product to market. Actually, Lincoln is very well known to Time Warner cable as a place where we have great customers, but they are very demanding customers; and especially we have a lot of close oversight by the City government.

I'll admit that there have been some bumps in the road as we have rolled out this new product and for that I apologize. Despite months of testing in employee homes and in the lab and literally years of development, we have learned some things. You learn things when you actually go to customer homes that you don't see in a lab. But in these markets where we are in customer homes – Lincoln, Milwaukee and Kansas City – we're responding to those problems. Some of the issues that we've run into is compatibility with certain HDTV sets and HD connections, like HDMI. On some sets it works and some sets it doesn't work. But we know those features are going to be changed. The customers are asking for more programming information in the guide and that will be coming later this year. But above all the design issues, we know that we need to improve the fundamental stability of the box. And I think we've come a long way toward that. We had a release of code last week. We called back customers that had called to us having problems in the last thirty days and 85% of those customers were no longer experiencing the slow response or latency that they had been seeing.

Also, I think Navigator is getting a lot of the blame for service that's really related maybe to the hardware itself – the box itself or the signal level in the home. In those cases, we have to go out and change the box or repair the signal levels. I think the thing, as we've struggled through this and this has gotten a lot of media attention, is the fact that we're hearing from some folks that we don't care about this. And I assure you nothing could be further from the truth. We have 350 local employees in Lincoln. They care passionately about this. I personally look at every Navigator call – notes from every Navigator call everyday. We've been very liberal with our credit policy. We have given over 2,000 credits. I think it would be just nuts for us not to be trying to fix these issues and I think we're on the right track. I do think we deserve to be called to task. And I'd like to personally once again apologize to anybody that we've disappointed.

But I do think this resolution goes too far in the response from the City. I hope that you will consider another option. We're just 14 months into our new franchise agreement and that took us seven years to negotiate. This resolution calls for a complete review of every aspect of our agreement. It goes well beyond Navigator. During the previous 20 years that our prior franchise spanned, we had one performance evaluation. If you want to go through with this, the way the resolution is drafted, we'll cooperate. We have nothing to hide, but I honestly think this is an over reaction. As an alternative, I would suggest that there would be an informal review of the project with the Cable Advisory Board and that we continue to report back to the Council, but we prepare the reports and we don't push that off on a volunteer board. This problem does have our attention and we are very concerned about any complaints that we get from customers.

And I'll answer any questions you might have.

SVOBODA: Beth, about how many subscribers do you have that would have this Navigator system in Lincoln?

SCARBOROUGH: We have about 46,000 throughout our service area. In Lincoln – to parcel that out, maybe 35,000 of those in Lincoln.

SVOBODA: And of that, you received approximately 5,500 complaints?

SCARBOROUGH: We've received 5,500 calls since last August.

SVOBODA: So that could be one person calling 3 or 4 times like my wife did.

SCARBOROUGH: Right. And we've issued credits to about half of those customers just for their trouble - - - Most of the problems can be resolved, but it's just a process that we have to go through with the customers.

SVOBODA: I have to admit that after we called, we haven't had any slow down in ours for the last two weeks, so whatever you did certainly solved our problems at home. I don't have a chance to watch television too much but my wife did show me one time what it was that we were dealing with and I was fortunate [of that]. When you talk about credits – we received an email that somebody was offered a \$3.13 credit that they thought was just a little bit under what they thought they should have been paid.

SCARBOROUGH: The value of the Navigator is about \$3.00 a month. So, you know, I think what we've done for most customers is give them a free premium service for a while. We've tried to just deal with that based on what the customer felt was fair or we thought the situation warranted. But we have been very liberal about this. Employees know– don't quibble with people. If they are upset and they want a credit, give them a credit. Just about everybody now that calls, if they are continuing to have problems, will receive a credit. But hopefully that's over. We're not going to have those kinds of issues in the future.

SVOBODA: Despite the problems and the inconvenience to your subscribers, I being certainly one of them and my wife, I do have to admit that the one time my wife put me on the phone then after she had called a couple of times, I was surprised because this was a Sunday afternoon – I was shocked how polite the young man was that I was dealing with, because this is an individual that obviously sits down and takes a couple hundred calls a day in his 8-hour shift, and I've got to tell you from a customer service side, I was very pleased at that. He did teach me how to reboot and I was appreciative of that because now I know how to do it – if I'm ever home to do it.

SCARBOROUGH: Okay. Thank you.

MCROY: Yes. Ms. Scarborough, will you review – in your comments you talked about 85% of the issues have been resolved. Can you just kind of review that.

SCARBOROUGH: I think what has happened is, we'd had this slow response. It was kind of – the guide wouldn't, in some cases, it would just sort of – it's called memory fragmentation. The box – the guide just wouldn't respond. If you were to hit your remote control and bring the guide up, it wouldn't give you – the guide would either come up with no data or it would just become slow. And that was a bug we discovered late in January. It can be resolved – but with repowering. We knew that was out there and we were really anxious to get this latest code release. We

called those people back. We knew since we'd had that - - - we heard from this about this particular issue - - which can be rather maddening - - and 85% of them said that it had diminished.

MCROY: So 85% of the calls were in regard to this?

SCARBOROUGH: Only in this last time frame. I think people have called us throughout. We take 40,000 to 50,000 calls a month from our customer base. Since we started the project, I think we calculated about 7,000 since last August that we could relate to this particular issue and about 5,300 individual customers who would have called. But this particular issue, we had recognized was a bug – but I do think we've got it licked. But a lot of the people are calling because they need some customer education. There are features that are different that they need to learn about.

CAMP: Going back over the time period here – and again I have to apologize too because I don't have the system – like Mr. Svoboda, I don't get to watch much TV. But with the 7,000 calls you've had – and when the functional problems cropped up – can you take a time period and show the pattern, for example, when it first came out during the first week or two – or whatever this time period is – How many of those 7,000 calls would have been then, how many in another intermediate period, and then say with this patch or what you said is the solution that came out last week and has gotten 85% of it done – what levels of calls you're getting.

SCARBOROUGH: I think the calls have diminished, but I think it's a little too soon to see – but I can't give you an exact comparison. The calls have been steady throughout because there are just questions people have. I can only tell you that we did call people back who had had this specific issue that we really felt like we had to get a handle on it and see that it was repaired. I know where you're going with this, I just don't know that I can tell you exactly whether - - - because the whole process of bringing in new code generates calls in itself. "Well what happened? My box has turned off and on." We called people in advance saying "this is going to happen." They call us up and say "Now what is it you're going to do." The whole process does generate a certain amount of activity that would be layered on the regular activity. Keep in mind that this doesn't have anything to do with people's video. You press ESPN, it's there. It's just when you activate this additional guide feature.

CAMP: So everything else works, it's just these extra features.

SCARBOROUGH: Right.

CAMP: I have had several people, and I've heard in the news media, that supposedly Navigator software was released in a beta form unfinished, or what have you, in the Lincoln market. You stated that these other three major markets also had. Was this a beta form?

SCARBOROUGH: I think I actually used the word beta in one of my letters which was the wrong thing to use. We don't beta test in a real live environment. You beta test in a lab or with your employees. We were part of a group of divisions that were first, but certainly we felt it was ready for customers when we launched it or we wouldn't have done that. But I do think the process of software development is that you don't really know everything until you have a larger subscriber base to get feedback from

CAMP: Thank you.

COOK: You said something that I agreed with. You don't beta test in a real live environment. I wanted to ask you a couple of questions about - - -the software you had before was the Passport software. Is that still in use in other cities where Time Warner has systems?

SCARBOROUGH: Yes.

COOK: So they still have a contract with Passport. They still provide that software where Navigator has not been brought up.

SCARBOROUGH: That's correct.

COOK: Did Time Warner raise rates this January?

SCARBOROUGH: We had a rate change for our basic and CPST service. There were no other rate changes for any other level of service.

COOK: But that affected all customers who applied to basic service?

SCARBOROUGH: Yes.

COOK: And then regarding the scope of the resolution, you mentioned something about how this would open up the entire franchise agreement. I guess I'm not sure where you get that. Specifically, the resolution calls out for the Cable Television Advisory Board to examine the introduction of the Navigator Service, the current status of the Navigator service, the efforts undertaken by Time Warner to resolve customer complaints related to the Navigator service, what should be done to fairly compensate customers for service failures, and any other technical or customer service issues as determined by the Cable Television Advisory Board and they may, in hearing comments and complaints from the public, may choose to ask about some other customer service issues. I guess I don't see that as reopening in some way the entire franchise.

SCARBOROUGH: I think when I read paragraph 2, that the City Law Department review the performance of Time Warner Cable related to any possible franchise violation, FCC violation, or any other regulatory infractions, I think that goes to every paragraph, every line of the agreement. I think that's where it would go.

COOK: I guess my interpretation of that is that they would see if in fact you are meeting the letter of our agreement with you, but it doesn't open up for somehow renegotiation or re-evaluation of our entire franchise agreement. It's just to see if in fact the agreement is being adhered to. That's what that means to me.

SCARBOROUGH: Well, I think that's not what it says and based upon the fact that we negotiated a renewal for seven years, our track record with the City of Lincoln is that these become very protracted.

COOK: Thank you.

ESCHLIMAN: Two questions. Have you received written notice, you know, emails, letters, or anything from the City Council that this was going to go to the City Council as a resolution? Or did this come as a surprise to you?

SCARBOROUGH: I believe I did receive a note from Jonathan a week ago. A week and two days ago. I think I got the note on Friday that it would be on the agenda last Monday and that the public hearing would be today.

ESCHLIMAN: Did you have conversations with any Council members warning you that it may come to this?

SCARBOROUGH: No. But we have made an extraordinary effort I think to keep Jonathan informed throughout this whole process because this is an area that he's very smart in and very knowledgeable in and has a lot of good ideas about. So I think we have attempted to keep Jonathan in the loop all along but for whatever reason he chose to do this.

ESCHLIMAN: Thank you. My second question - I think you indicated when you were talking that you're 85% through the woods here. How long is it going to take you to fix that other 15% so that - - -?

SCARBOROUGH: Well, I think there are a lot of design improvements that I sort of put on a different level that I think customers are still upset about because they want some design changes and I think those will take longer, but certainly our focus is to make sure that the boxes are stable, that they are doing what they are suppose to do. I think we are out of the woods on that problem. I do think that this is going to be a process that will sort of get to that sort of perfect design standard - it will take some time but I do think the stability and some of the rebooting or repowering kinds of activity should be - - - is greatly diminished and should be behind us.

ESCHLIMAN: So the issue of making the boxes stable, that's part of your 85% and you think that's taken care of? It's the design improvements and that's the other 15% of the woods?

SCARBOROUGH: Yea, and people have different viewpoints about this. There are some new things in Navigator and then there are some things that didn't come over from the Passport software, and we're hearing from some folks that they'd like some of those things back. And I think we'll get them back.

ESCHLIMAN: And is this 15% something you can accomplish in a month? Two months? Three months? A year? Ten years?

SCARBOROUGH: I think we need another 90 days – where we really feel like we’ve – can have all of the stability issues resolved.

ESCHLIMAN: Okay. Thank you.

SVOBODA: Beth, let me follow up on Robin’s question. When we first started getting, or when you first started getting the calls and complaints, and it’s probably about that same time that we as individual council members started getting an email here or two and then it obviously escalated from there — but did City administration or the law department or any individual council members or groups of council members contact Time Warner and say “we’ve got a problem here we’d like to find some resolution of this . . . what is it you’re doing?” Or was the first thing that you heard was that we’re just going to do a resolution to slap your hands and ask you for some compliance.

SCARBOROUGH: I think, again, Jonathan and I have had a dialogue about this since last fall, so, yea, I’ve had some conversations with Jonathan over time, but not in the recent ---- not in the last 30 days or so.

SVOBODA: So nobody – from the City’s standpoint – nobody tried to resolve this with Time Warner to say “what is it that you are doing, is there any public statements that we can jointly do in order to try to soften this a little bit?” and obviously the apologies from Time Warner and the credits that you’ve been doing have obviously moved in some direction, but I’m just curious if there was anything that anybody -----?

SCARBOROUGH: No other communication. And perhaps we should have been more communicative to you too. I think it’s a two-way street, and I apologize for that, but I think we’ve been very, very very, focused on our customers. And no body is sleeping very well at night around Time Warner, so we’re very focused on this.

NEWMAN: Other questions?

COOK: Just a real quick follow up. You said something about another 90 days to make sure that this platform is stable. So that’s not 90 days to add necessarily a lot of features, that’s 90 days to work out the bugs?

SCARBOROUGH: I think we’ll get. . . Again, I think we’ll probably see some features in that 90-day period. I’d like to under promise and over deliver is really where I am. But, I just think taking this step today is going beyond what the City ought to get in a strangulated position on. Give us a little time to continue to work on these things.

SVOBODA: There’s obviously going to be some features because I’ve been reading about them in the paper and obviously I think when Ann & I talked a couple of weeks ago there’s that “look back” feature and a couple others — are you anticipating bugs in that as well? Or was this bug mainly in the Navigator?

SCARBOROUGH: Again, another market is testing something called “Start Over and Look Back” where you can, if you go in and you’re starting to watch Gray’s Anatomy and you’re only half way through and you want to see the beginning, you can actually start over and start Gray’s Anatomy over. We’re in a test phase in South Carolina with that now. Customers love it. We were able to add a very important feature here that I think our phone customers really love. It’s Caller I.D. on TV. It’s great. We’re ultimate couch potatoes. You don’t have to get up. You don’t have to go look at your caller ID, it’s right there on your television – who’s calling you. So I think those things are coming along. But, yea, we can’t do any of this. Navigator is gateway for us to do all those things. Passport didn’t support Caller I.D. on TV. It didn’t support Start Over. It doesn’t support Look Back. So, this is very difficult stuff and it’s difficult for our customers but if we don’t move forward we’re not going to make any progress in the long run.

NEWMAN: Any other questions? Okay. Thanks Beth.

SCARBOROUGH: Thank you.

[Testimony from the public on this item then commenced with Ed Patterson.]