

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

In the Matter of            )  
Truth-in-Billing            )            CC Docket No. 98-170  
and                                )  
Billing Format                )

CC Docket No. 98-170

COMMENTS OF NEW NETWORKS INSTITUTE

Bruce A. Kushnick  
Executive Director  
New Networks Institute  
826 Broadway, suite 900  
New York, NY 10003

212-777-5418

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## **Introduction**

In 1993 and 1995 New Networks Institute (NNI) conducted two independent, nationwide surveys of consumers to ascertain what customers knew about the charges on their telephone bills. (1) The findings were startling:

0% of consumers can correctly answer basic questions about the charges on the phonebill, including simple questions about the price of a service, or whether they were even paying specific charges, such as the FCC Subscriber Line Charge. And the responses didn't change regardless of the customers' income, age, where they lived, or even if they "read the bill stuffer" (the information with the bill) or "read the entire bill every month".

The bottom line is that virtually no one in America understands their telephone bill.

The FCC is currently examining ways to improve the readability of telephone bills, with the hopes of increasing customer awareness and curtailing what is now referred to as "Cramming", (the charging of customers for services they never ordered) and Slamming (when a customer is transferred to a different phone company without permission). According to the FCC, cramming is on the rise and will become more significant with the addition of competitors.

It is our belief that, for too long, the telephone bill has acted like a shield against consumer complaints of their telephone services. With virtually no one being able to figure out their bills, the consumer has been totally in the dark about their phone charges. Giving the consumer new information could be a powerful tool in changing telecommunications. However, NNI questions if the FCC and the states have the courage and tenacity to create meaningful change. We applaud these new efforts, and hope this filing is useful in your decisions.

However, our research clearly indicates that what needs to be done is a great deal more than simply cosmetic changes to the current phonebills. Another NNI report titled "Telephone Charges In America" (2), found that in order to fix the problems to help

customers understand their bill and be protected from wrongful charges, the FCC and the states must also examine the root causes of the problem.

These include:

- Examining the serious lack of consumer education by the phone companies, even though many states mandate education by law.
- An examination of mislabeled or hidden charges that are nothing more revenues to the local phone companies.
- **An Examination Of Current Bell And Local Phone Company "Cramming"**. While cramming has become a public issue, it is not a new phenomena, but a practice that the Bells and other local phone companies have been engaging in the practice over the last decade.

Of course the recent rash of cramming and slamming by the long distance companies and other less scrupulous parties also must be stopped. (We will recommend what we consider to be viable, efficient options to these problems.)

- **Examining Telecom Advertisements That Are Misleading Or The "Fine Print" Is Unreadable**. From Cellular phone or the prepaid card offers which do not include all of the ancillary charges, or the "Fine Print", which is literally so small as to need a magnifying glass, many advertisements lead directly to consumer phonebill problems.
- **The Current Phonebill Is A Regulatory Mess**, allowing various legal entities to add charges without any ONE regulator examining All of the charges for Bell profits.

The rest of this document will discuss the issues we've outlined.

We Are Recommending:

- The FCC broaden its investigation to examine Consumer Education, including accurate information not currently supplied.

- The FCC should help institute a "One Page" bill (as described)
- The FCC should institute a "One Number to Call" for complaints, (as described)
- "Total Bill Analysis": One regulator should oversee the process of charges on the bill.
- The laws about cramming should be strengthened by using financial penalties and suspending company business licenses or using legal remedies in extreme cases. Also, the FCC and the state's Attorney Generals should consolidate cases to allow for multiple state investigations of one company.
- Fine Print advertising must be eliminated and all charges should be clearly shown.

### **Customer Confusion Over Phone Services is Universal: What Do Customers Know About Their Phonebill Charges? Virtually Nothing.**

In our consumer surveys we tried to find out what customers knew about the charges they were paying. And the answer was clear. Virtually no one in America has a clue about their phone bills, even if they stated they "read the entire bill."

For example, we asked about the price of local directory services and when the customers' answers were compared to their actual charges, only 2 out of 1000 got the correct results. Moreover, we found that almost half of the population, 46%, believe that Directory Service is "Free" or that their local service includes "free" calls.

How does this lack of education effect the customers? In many cases, customers who thought Directory was free in their states, were actually paying 30¢-50¢ per call. We found numerous cases of customers making \$3-\$5 per month in directory and NOT knowing it cost money!

And there are a number of reasons that causes customer confusion about Directory charges.

First, Directory used to be free in most states before the creation of the Bells in 1984. and since there has been no consumer education, many, especially SENIORS, have no idea that there are no free calls with local service.

Secondly, there is absolutely no rhyme or reason for Directory prices --- In fact, there 50 states and over 50 prices for local Directory Assistance, which can vary 2000% for the same service. For example, in New York City the customer pays about 50¢ per call, counting tax, with no free calls. Meanwhile, another NYNEX/Bell Atlantic state, Massachusetts, found directory so profitable that in 1997, customers still got 10 free calls, and the profits even paid for E911, which in New York City was an additional 35¢. All told, counting taxes, the difference is over 2000+% in directory pricing.

Our research indicates that it simply adding information to the bill will not help this problem. Many states do contain fine print about this today. The problem is that there is no consumer education, even though it is mandated in numerous states, and therefore, calling this to the attention of the customer is the last thing phone companies would care about. They make more money from those who are not informed.

In order to fix this problem, the phone companies should have fulfilled their monopoly obligations to tell their customers of the costs as well as making the costs policies clear on the phonebill.

### **The Names of Products And Most Information On The Bill Are A Cipher.**

Other phonebill charges have different problems. There is virtually no consistency with any names for almost any service, or even why the charges exists. For example, take the FCC Subscriber Line Charge. According to the FCC:

"The federal Subscriber Line Charge (SLC) defrays a portion of local exchange costs that have been allocated to interstate toll (long distance) services." FCC, 1993

However, you would never know it from the vague definitions used by the phone companies on their telephone bills or in their directories, highlighted in the exhibit below. Notice how none of these definitions match either the FCC's definition or each other's. Also notice that the charges are "mandated", or "ordered" by the FCC.

## EXHIBIT

### "FCC Line Charge" Descriptions by Telephone Companies, 1993

- "Line charge ordered by the Federal Communications Commission"  
New York Telephone bill 1993
- "Mandated Charge Interstate Subscriber Line Charge" GTE bill, 1993
- "A monthly charge required by the FCC rules, for costs to connect your phone to the network" Detail, NY Telephone bill, 1992
- "Charges for Network Access For Interstate Calling, Imposed by Federal Communications Commission" Pacific Bell phone bill, 1993,
- "Access Charge Per FCC Order" Ohio Bell telephone bill 1993,
- "The Federal Subscriber Line Charge" is an access charge authorized by the Federal Communications Commission. This charge defrays a portion of the fixed cost of providing your access to the local network" C&P Virginia Telephone Directory, 1993

*Sources: Telephone Bills & Directories, New Networks Institute., 1993*

It is no wonder that the overwhelming majority of customers state that they are either not paying this service or do not know if they are, and virtually no one knows what this service costs. This in contrast to the fact that every customer pays this service and it cost \$3.50 a month (in most states).

### **Telephone Charges on the Phonebill Can Be Hidden Revenues for the Bell And Local Exchange Companies**

If the overwhelming majority (67%) didn't know that the FCC Subscriber Line Charge was on their bill or even if whether they were paying it, the other serious issue is that almost all subscribers, when asked about the name, THOUGHT THE REVENUE WAS GOING TO THE FCC. The truth is that this charge is direct revenues to the phone companies. However, because of the name, consumers thought that it was monies to support the FCC's activities.

This is a serious, yet common problem with the name of the service, or even where the money is going. For example, many of the charges that sound that they are in the public Interests are also revenues to the phone companies and this can include E-911, or Deaf Relay.

The most blaring example comes from the New York City area. On the phonebill is a tax called the "NYS/MTA" tax. And though it appears every month, the definition has only occurred a few times, for example, a bill stuffer from NY Telephone, June 1991. However, on the last NYNEX bill it never gave a definition and on the current Bell Atlantic bill there it simply states "local and state taxes"

The "NYS/MTA" allows the Bell to have the customer pay the company's taxes — a tax that adds 7% to the entire bill.

"New York Telephone pays taxes too. The company must pay a New York State Gross Income Earnings tax, which we are permitted to recover as a surcharge to consumers and appears on your bill as a 6.5% New York Surcharge. This surcharge applies to monthly and one time charges and to most calls made within the state".

In fact, the NYS/MTA surcharge is actually a 2 part charge, the majority, 6.5% going directly to pay New York Telephone taxes. However, there is also an "MTA" surcharge, about 1%, which goes to the Metropolitan Transit Authority, the organization that runs the buses and subways.

"A fee the company collects for New York State and the Metropolitan Transportation Authority. It helps pay State utility taxes and supports subway, bus and commuter rail lines. The MTA portion applies only if you have phone service in a county served by the MTA."

We estimate that this costs the average customer \$30 annually, about double that for businesses. Therefore, will the proposed FCC telephone bill changes require accurate information? Will it be pointed out that taxes and surcharges are sometimes just more Bell revenues.

### **Unfortunately, Cramming Has Been A Common Problem.**

Cramming has received a lot of attention recently, especially since the number of easily identifiable problems have made media noise. Unfortunately, cramming has been a common problem for the last decade caused by a number of factors.

First, NNI consumer studies clearly demonstrated this for Inside Wire Maintenance charges, the monthly (optional) charges for the wiring in the home. When consumers were asked if they were paying for this services, and their answers were cross-referenced with their actual phone bills,

Over one-third of those who were paying for Inside Wire Maintenance Charges stated they never ordered it.

Numerous court cases have been taken over inside wiring and the outcome of customer protections is hit and miss. The main problem is simple — most do not understand of the home wiring issue and do not understand the charges or why it cost extra.

Secondly, there is mass confusion about the names ---- "Wire Maintenance", "Subscriber Line Charge", "local subscriber line", "Line Backer", etc., are all just a blur to customers.

Thirdly, even those paying it have no accurate data about the service. No organization publishes the average length of time the wire needs servicing. According to NYNEX in 1980, the wire in the home usually lasts 16 years. This obvious piece of data should obvious be told to customers, but no phone company publishes this information.

There is also the current rash of Cramming and Slamming going on that needs addressing as well. Most of these problems could be solved with simple remedies, as we discussed. However, the likelihood that anything simple in telecom will be implemented is not in the foreseeable future.

### **The Phonebill is a Regulatory Mess.**

One of the most asked questions about phone service is the simple question --- Why are there all these charges in the first place and How much money does the phone company make from all these charges?

For example, except for the details about phone calls, the pre-divestiture phonebill had averaged only 9 line items as compared to 21 items by 1993 — for the exact same service. And with all these charges, the intrinsic problem with the bill is that it is just too

complicated for customers to understand. Though not directly in the purview of this Docket, NNI believes that FCC should examine the deregulation of the phonebill and how the charges therein have acted as a shell game for Bell profits. In our next filing, CC Docket No. 98-166, we discuss the issue of Bell profits and the application of rate of return to access fees.

NNI believes that these problems are exacerbated by the simple fact: There is no one regulator examining the bill and multiple parties put charges on or the profits paid. This regulatory mess not only effects the customer's ability to can read the bill. It also clearly shows that the phonebill charges reveal serious gaps in regulatory coverage. One has only to look at a typical phonebill to know that regulatory coverage is piecemeal. For example, a typical telephone bill has some charges, such as the Subscriber Line Charge, that is controlled by the FCC, while some services, such as inside wiring, many have no regulator examining the charges to customers or their profits. Specifically:

- **Basic Service** is now only one of a few line items on the bill regulated anymore. It is controlled by the State PUCs.
- **Toll Call Revenues** are regulated by the state PUCs.
- **FCC Subscriber Line Charge**, on all business and residential bills, is an FCC controlled service.
- **FCC second line charge** - on all second lines of business and residential bills, is an FCC controlled service.
- **Calling Features**, included Call Waiting to Caller ID have varying rules per state but most services are no longer examined by any state regulator for profits.
- **Inside wiring** is deregulated and no longer examined for profits.
- **Long Distance Access Charges**, which are not considered charges to subscribers, and are examined by the FCC
- **State & Local Taxes and Surcharges**: Various government agencies, have added a wide variety of surcharges and these are almost all just more telco revenues. — including:
  - **E 911 -Enhanced/Emergency 911**
  - **Deaf Relay**
  - **Universal Service Charges**

And with all of these various state and federal government agencies, the most surprising fact is that NO agency actually looks at all of the charges and therefore profits of the telephone bill. This jurisdictional morass allowed for a serious revenue and profits shell game to have taken place. Because each regulator only examines specific charges on the phone bill, the Bells have been able to state that they are "losing money" on "basic service" and even today, are requesting rate increases. How can this be when they are so profitable?

With an average of 21 line items, and no general oversight, to fix the phonebill's unreadability, it will take a great deal more than simple cosmetic touch ups. Our research clearly shows that if the FCC and the states are serious about reforming telecom to serve the customer, then a series of steps should be immediately taken:

## **NEXT STEPS**

**The FCC Should Help Institute A "One Page" Bill** Our research shows that requiring the customer to wade through phonebill details will never work. Therefore, in order to slow cramming, slamming and protect customers, a complete list of all services the customer is paying, as well as all of the company(ies) that are requesting payments, should be initiated.

This simple, clear first page would outline all charges and companies and therefore hopefully revealing slamming, cramming and all other charges.

The next page (s) should be a clear, concise page of definitions, followed by details of all the expenses including taxes applied.

**The FCC Should Institute A "One Number To Call" For Complaints.** On the first page, in clear, large size print, the customer should be given ONE contact point for all complaints. Today, only those who go searching will find the FCC's number. There are no advertisements by FCC or the state Public Service Commission and consumers don't know who or how to call. Whether it is the FCC or the states or both that actually handle the call, a coordinated single contact point should be arranged.

**"Account Lock" should have already been implemented.** In many states, the customer has a password that is used to change information on their account. In many cases, these passwords are used so that an angry girlfriend, boyfriend neighbor or

estranged spouse doesn't arbitrarily cancel the customer's service. When a customer makes a major change, such as changing a long distance or local phone company, some mechanism, including the use of a password, should be at least corroborated. This would deter or stop all unwarranted changes to the bill. In combination with our "One Page bill concept, any other companies who place charges could be identified in one glance, without having to search through the pages.

**The FCC Should Broaden Its Investigation To Examine Consumer Education, Including Accurate Information Not Currently Supplied.**

Consumer education does not exist for phone services. The Bells and other phone companies run hundreds of millions of dollars of advertising exclaiming that they're "All Connected" or the "Heart of Communications", yet there has never been an add about knowing the price of Directory Assistance, even though the phone companies have all but eliminated free calls. Worse, many state laws have mandated consumer education, but research clearly shows that it was either never done adequately. And this information should include whether the money is direct revenue to the phone company, and also where to find out details about the charges, including information such as "The inside wire breaks once every 'X' years."

It is our belief that without a consumer education campaign, changing the telephone bills will not matter.

**Enforce the laws about cramming and other crimes.** Today, Cramming and Slamming are accomplished because the laws to stop it have been ineffective. One of the largest problems is that the FCC and state jurisdictions require a state by state battle against illegal practices, costing multiple millions. Enforcement could be accomplished if:

- a) the companies being investigated were attacked via multiple state jurisdictions of one company. --- For example. 900 Service scams are usually perpetrated by one company in numerous states yet each state must defend its constituency alone --- which is costly and ineffective.
- b) Cross-referencing of complaints against companies was well co-ordinated.
- c) The stakes were raised to get criminal charges and serious penalties including suspension of service. Without serious penalties and enforcement,

these companies just move from state to state without fear. Also these penalties should be used as compensation to the people who were slammed or crammed, as well as pay for the continuance of the task force to enforce the laws.

**Fine Print Laws Need To Be Established.** From the cellular or the pre-paid cards adds that promise very low rates, or the various caveats in local phone services, the FCC and the states should set laws in place to remove these un-truths in advertising. The three primary factors are:

- a) All print about price must be in a readable size, and prominently placed.
- b) All prices for low rates should require that a minimum 5 minute call is quoted, or that all surcharges be prominent in the advertising. (including surcharges and fees.)
- c) All video, TV or cable media should make sure that this information lasts as long as the price of the services are shown and are also readable.

Total Bill Analysis --- One Regulator Should Oversee The Process Of Charges On The Bill. Today, the Bells have become some of the most profitable companies in America, with profit margin 150% higher than other utilities. The reason --- the gaps in regulation of the telephone bill has allowed the different charges NOT to be included in a comprehensive examination of profits

In our filing, CC Docket No. 98-166, we are requesting the FCC and the states to administer a "Total Phone Analysis for profits", meaning that ALL of the charges a customer pays is examined for profits, not simply a part of the bill, such as "access fees".

Secondly, as outlined in our NOI and NRPM filings, (98-146 and 981-47) we found that the Bells may have overcharged customers by \$50 billion dollars by not fulfilling their promises to deliver advanced networks. This money is really pennies, nickels, dimes, and quarters added to the various charges of the telephone bill. Therefore, we request the FCC to investigate these claims in relationship to truth in billing. If the Bells billed for services that they never built, then the claim of "just and reasonable" prices to consumers might in fact be an "untruth-in-billing".

Respectfully submitted,

NEW NETWORKS INSTITUTE

By:\_\_\_\_\_

Bruce A. Kushnick  
Executive Director  
New Networks Institute  
826 Broadway, suite 900  
New York, NY 10003

212-777-5418

(1) Two nationwide telephone surveys consisting of a total of 2,000 randomly selected households were conducted by FairField Research for New Networks Institute. The first was published by Probe Research Inc. in 1993 as a research report and computerized database and titled "Consumer Attitudes Toward Telephone and Cable Companies". The second was conducted in 1994-1995 and was published by New Networks as a report titled "Telecom Turf Wars".

(2) "Telephone Charges In America, 1980-1993" was published by Probe Research, inc. in 1993. This four volume set includes a database of the prices for most services, representing all 50 states, and therefore the Bell companies and other prominent local phone companies. It includes the prices for toll calls, (by distance and first and second minutes), directory assistance prices, (including 'allowances'), installation fees, (for inside wiring, basic installation, and manual installations) and operator assisted calls, among others. The inputs for this database consisted of information from Bell and other local phone company state and federal tariffs, and published information from BellCore, National Association of Regulatory Utility Commissioners, (NARUC), FCC, telephone directories, and collections of actual phonebills.