



<http://www.teletruth.org>

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	DA 04-1495
(NASUCA) Petition For Declaratory)	CG DOCKET NO. 04-208.
Ruling Regarding Truth-In-Billing)	CC Docket No. 98-170
And Billing Format)	

COMMENTS OF TELETRUTH: NUMBER 1.

**“THE PHONE BILL TAX & SURCHARGES INTELLIGENCE TESTS”:
EVERY CHARGE SHOULD BE INVESTIGATED FOR TRUTH-IN-BILLING” ISSUES.**

For Teletruth:

Bruce Kushnick, Chairman,
Tom Allibone, Director of Audits
826 Broadway, Suite 900,
New York, NY 10003
TIB@teletruth.org
212-777-5418

July 4th 2004



Comments on NASUCA Petition, “Truth-in-Billing” Issues, and the Telephone Bill Tax & Surcharge Intelligence Test:

(Average “Taxes & Surcharges” section of a New York City phone bill.)

4 Surcharges and Taxes			
FCC Line Charge	\$6.00	911 Surcharge	\$1.00
Local Number Portability	\$.23	Federal USF Surcharge	\$.57
Federal Tax	\$.22	Surcharge(s)	\$.37
NY State/Local Sales Tax	\$.59		
Total			\$8.98

The FCC has asked for comments pertaining to NASUCA petition.

“On March 30, 2004, the National Association of State Utility Consumer Advocates (NASUCA) filed a petition for a declaratory ruling prohibiting telecommunications carriers – both wireline and wireless - from “imposing monthly line-item charges, surcharges or other fees on customers’ bills unless such charges have been expressly mandated by a regulatory agency.”¹ NASUCA contends that all monthly line items are subject to the “full and non-misleading billed charges” principle adopted by the Commission in its *Truth-In-Billing Order*.² Further, NASUCA argues that carriers’ current uses of line-item charges are misleading and deceptive in their application, bear no demonstrable relationship to the regulatory costs they purport to recover, and therefore constitute unreasonable and unjust carrier practices and charges.³”

1) Teletruth agrees with the analysis of NASUCA, that various line-item charges on wireline and wireless companies violate the essential premise of the Truth-in-Billing guidelines. They should either be removed from the phone bill or added to the costs of service, which would then reveal them to the customer as the ‘price-of-service’.

2) However, Teletruth also believes (and has filed) that every charge on the phone bill, not only the new additional charges that populate the phone bill, but also every current tax and surcharge violates the “Truth-in-Billing” guidelines.

A simple example? On every wireline US phone bill there is a charge titled “The FCC Subscriber Line Charge”. (The inclusion of the abbreviation “FCC” is included on the

¹ See Petition for Declaratory Ruling, CC Docket No. 98-170, filed March 30, 2004.

² See *In the Matter of Truth-in-Billing and Billing Format*, CC Docket No. 98-170, First Report & Order and Further Notice of Proposed Rulemaking, 14 FCC Rcd 7492 (1999) (*Truth-In-Billing Order*).

³ See Petition for Declaratory Ruling at p. 42.



majority of phone bills.) The common belief based on the name is that it goes to pay the FCC's expenses or is a government tax. Phone bill descriptions found throughout the US claim it's mandated – it isn't; claim it's part of "long distance", it isn't; and do not include it as part of the advertised price of a packaged service, even though it is now capped at an additional \$6.50 a month to service. Worse, the FCC Line Charge has quintuple taxes in New York City and other cities, and adds 27% to a charge that is located in the "taxes and surcharges" section of the phone bill — none of which is discernable from the phone bill or even collateral materials, such as the web site.

But the real truth-in-billing violation is the fact that the phone company never tells –the-truth about the charge — it is direct revenue to the local phone company!

In short, even the most basic charge on every wireline phone bill is not only misleading, but the taxes and surcharges applied are not itemized or calculated.

3) Teletruth has filed: (and is included as part of this package of materials)

- **Comment 2:** "Data Quality Act" Challenge of the FCC Line Charge – which claims that the charge was increased from \$3.50 to \$6.50 without adequate data support,
- **Comment 3:** A separate petition on the FCC Line Charge's Truth-in-Billing violations.

SEE: <http://www.teletruth.org/RemoveFCCLineCharge.html>

4) No Regulator examines the entire phone bill. The real issue is that every tax and surcharge needs to not only be examined for cost justification but also for their truth-in-billing violations. The phone bill and its related documentation (including the various telco web pages) does not give any customer enough information to discern if there are mistakes on the phonebills, how the taxes and surcharges are applied or any other helpful information.

The fact that the phone bill is deregulated and that NO regulator examines the charges in totality is a total breach of faith for protecting the customer public interest.

5) What the customer doesn't know hurts them. Two Class Action Suits.

Teletruth's data from our phone bill surveys has been used to initiate 2 Class Action suits against Verizon, New Jersey. The first case, which found that 40% of the small businesses under 5 lines were missing their discounts, has been tentatively settled. In this case, the discount was not itemized so the customer had no way of analyzing that the discount was missing. In fact, over 50% of small business phone bills had mistakes, hidden, in part, through truth-in-billing violations. See:

http://www.newnetworks.com/class_action_suits_against.htm



Conclusion:

6) Take a Telephone Tax and Surcharge Intelligence Test. To make the lack of data about taxes and surcharges apparent, as well as point out that the phone bill is unreadable to everyone, the rest of these comments are a “Telephone Bill Taxes & Surcharges Intelligence Test” — an easy and hard version. The FCC Commissioners and staff, and every other politician and regulator should take these tests. And they will fail them, just as every average customer is failed by the lack of knowledge of our regulators who add more taxes and surcharges without examining the consequences of their action.

Our tests are based on a 2-year investigation into phone bill charges that included a survey of New York and New Jersey phone bills, combined with other data from the FCC, and a host of other sources. See: “Phone Bill Independence Report”
<http://www.teletruth.org/phonebillindependencereport.html>

7) This matter is of paramount importance to VOIP services. Teletruth has also filed complimentary comments on this topic as part of the VOIP – Voice over the Internet, IP-enabled current proceedings, Docket No. 04-36.

We find the current situation embarrassing. How can the FCC or any regulator be interested in taxing and surcharging new innovative services when the agency nor any other regulator knows how ridiculous and over-the-top the current tax and surcharge regime is?

Therefore, before any new services are taxed and surcharged, the FCC should investigate the current collection of taxes and surcharges and start to either cost justify each charge – or remove them from current phone bills.

See: <http://www.teletruth.org/docs/TeletruthCommentsFCCVOIP.pdf>

Take the tests on the next page and see if you can get a passing grade:



Telephone Bill Tax & Surcharge Intelligence Test (EASY VERSION)

0 Right—Politician. 1 Right—FCC Commissioner. 2 Right—Rocket Scientist. 2.5 Right—Brain Surgeon. 9 Right—Teletruth Auditing Team.

Here's the "Surcharges and Taxes" from a normal Verizon, New York City local phone bill (and it is the same for Verizon's Freedom packages as well. Many of these taxes are common throughout the US as well.)

4 Surcharges and Taxes

FCC Line Charge	\$6.00	911 Surcharge	\$1.00
Local Number Portability	\$.23	Federal USF Surcharge	\$.57
Federal Tax	\$.22	Surcharge(s)	\$.37
NY State/Local Sales Tax	\$.59		

Total **\$8.98**

Good Luck: True or False

- 0) _____ Do you feel nauseous just looking at this mess? (Warm up question)
- 1) _____ The charges above are the taxes and surcharges for an entire, average local phone bill.
- 2) _____ The FCC Line Charge goes to fund the FCC and is a government tax.
- 3) _____ The Federal Excise Tax was first put on to fund the Spanish American War in 1898.
- 4) _____ The charges above are not correctly added up and taxed based on June, 2004.

Pick One:

- 5) _____ How many taxes and surcharges are applied to the FCC Line Charge? a) 1, b) 3, c) over 6 d) We don't know.
- 6) _____ The taxes and surcharges on the FCC Line Charge in New York City, from the example above are? a) 8%, b) 16%, c) 27%, d) 32%
- 7) _____ The taxes above as compared to the "dialtone" monthly charge are a) 27%, b) 55%, c) 86%, d) 112%
- 8) _____ Which statement about the "Universal Service" Fund is False:



- a) Has been called an "out of control" slush fund.
 - b) Has a "high-cost" fund that gives very profitable rural companies more money?
 - c) Has had a lack of oversight and competitive bidding?
 - d) The Bell phone companies were the largest recipient of the Universal Service Fund's "Schools and Libraries" Fund in 2001
- 9) _____ How many "Truth-in-Billing" violations are there in this example? a) 3, b) 6, c) at least 10,
- 10) _____ Money: Surcharges and Taxes on a Verizon package of local and long distance in New York (advertised at \$59.95) adds annually an additional a) \$25. b) \$155, c)\$260, d) \$302.
- 11) _____ Which statement is False?:
- a) On an average bundled package of Local and Long Distance, the taxes above are added to the advertised price.
 - b) Universal Service Fund continues to increase from 3.9% in 1999 to 8.9% in 3rd Quarter 2004, a 128% increase.
 - c) Since 2000, the FCC Line Charge increased 86%, from \$3.50 to a cap of \$6.50.
 - d) Many of the taxes and surcharges are direct revenue or enrichment to the local phone companies.
- 12) _____ Which statement is False?
- a) No regulator examines the phone bill charges anymore.
 - b) Phone bills are almost 100% accurate -- very few mistakes.
 - c) Various regulators and politicians now want to put ALL of these taxes and surcharges on new services, such as Voice-over-the-Internet (VOIP)

To see the Answers go to:

<http://www.newnetworks.com/phonebilltestanswers.htm>



Telephone Bill Tax & Surcharge Intelligence Test (HARD VERSION)

10% Right—Politician. 20% Right—FCC Commissioner. 30% Right—Rocket Scientist. 35% Right—Brain Surgeon. 90% Right—Teletruth Auditing Team.

The previous "Easy" test is designed for the average customer, not the telecom insider. This "HARD" test will show your true meddle. However, it is what the average customer is confronted with, every month, on their phone bill. Here's the "Surcharges and Taxes" from a normal Verizon, New York City Verizon's Freedom package for "Verizon Basic Local Services", (from April-May 2003).

4 Surcharges and Taxes

FCC Line Charge	\$6.00	911 Surcharge	\$1.00
Local Number Portability	\$.23	Federal USF Surcharge	\$.57
Federal Tax	\$.22	Surcharge(s)	\$.37
NY State/Local Sales Tax	\$.59		

Total **\$8.98**

Fill in the Blanks — What taxes and surcharges are applied to the items listed on the first column on the left, below? -- i.e., is Federal tax applied to the FCC Line Charge or the E911 charge? How do you justify the Federal Tax of \$.22 cent charge above, or even the State and Local taxes at \$.59 cents?

Your task is to go through each charge listed and decide if it applied to some other charge. Put an "X" in the column -- Example, marked below... The FCC Line Charge is taxed Federal tax. It, plus other items will equal \$.22 cents in Federal tax. Fill in the rest of this chart.

Hint -- The Federal Tax is 3%, the New York City and State Tax is 8.625%

	FCC Line	Portability	Federal	State/local	911	USF	Surcharges
FCC Line			"X"				
Portability							
Federal							
State							
911							
USF							
Surcharges							
Totals	\$6.00	\$.23	\$.22	\$.59	\$1.00	\$.57	\$.37

Scoring — Time limit :30 minutes. Every "right" answer is worth 2 points, every "wrong" or missing answer is a minus-2 points. — Total possible correct score is 98%.

Answers can be found at: <http://www.newnetworks.com/hardphonebilltestanswers.htm>