



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

**NOTE: THIS COMPLAINT IS BEING ACCOMPANIED BY
A "DATA QUALITY ACT" CHALLENGE OF THE FCC LINE CHARGE'S RELATED
INFORMATION PRODUCTS.**

Truth-In-Billing Petition Against the "FCC Subscriber Line Charge".

**Teletruth Requests an Immediate Investigation into Various Truth-in-Billing
Violations of the Term and Line-Item Charge "FCC Line Charge" as Well as the
Creation of a New Proposed Rulemaking to Fix the FCC's Truth-in-Billing
Guidelines.**

for

Teletruth

Bruce Kushnick,
New Networks Institute
Tom Allibone,
LTC Consulting,
826 Broadway, Suite 900
New York, New York 10003
212-777-5418
<http://www.teletruth.org>

June 1st, 2004



Introduction:

- In 1993, New Networks Institute (NNI) conducted a telephone survey of 1000 customers and found that literally 0% (3 out of 1000) of the population could answer basic questions about the charges on their phone bills.
- In 1998, then FCC Chairman William Kinnard told attendees during a speech at the New York Law School that he couldn't read his own phone bill.
- In March 2000, the FCC published the "Truth-In-Billing" guidelines to make phone bills more readable.
- In 2003, Verizon revamped the phone bill to make it more readable for the average consumer. See: <http://www22.verizon.com/pages/newbill/>

In 2003 and 2004, Teletruth, a national, independent customer alliance, and a member of the FCC Consumer Advisory Committee, started a two-year investigation into customer phone bills. Conducted by Teletruth board members New Networks Institute, (NNI) a market research firm, and LTC Consulting, a phone bill auditing firm, this campaign collected 110 New York and New Jersey phone bills. Complimented with 10 years of data from both LTC Consulting and NNI, this study "Phone Bill Independence", found that phone bills are still unreadable, regardless of the claims of 'easier to read' phone bills. In fact, virtually every charge on the phone bill was either misnamed, had excessive, multiple taxes, and in short, cost customers money in multiple ways.

And the FCC Line Charge, (Also "FCC Subscriber Line Charge", "SLC") with more names than Lucifer, was one of the culprits. As we point out:¹

"The FCC Line Charge, which is on every wireline residential and business phone bill, 1) does not go to fund the FCC as is the common belief. 2) It is not part of 'Basic' service, even though many state phone bills says it is. 3) It's not a tax, even though it's in the 'Surcharges and Taxes' section of the NY Verizon bill, among other states, and 4) it is quintuple taxed in New York City adding 27% to the cost. 5) It is unmarked revenue of billions of dollars back to the phone companies that is 6) not mandated by the FCC. 7) It is not controlled by the state commission even though Verizon New Jersey said it is. 8) There's been no cost analysis of why it should be on the bill, even though 9) it has continually increased over the last three years - 86% even though 10) Verizon stated publicly that local phone service hasn't increased in 11 years in New York and 20 years in New Jersey. And 11) the advertised price for a 'package' does not include this charge. 12) To top it off, there was some study done in 1998 that it was already inflated 550% and yet 13) the FCC is now entertaining plans to raise it to \$9.00 a month in 2004."



This Petition should not come as a surprise to the FCC. Commissioner Copps recent ‘Always On’ Campaign highlighted phone bill problems:²

“There is no question that consumers right now are not amused by their telephone bills. From quarter to quarter, we receive more consumer complaints on telephone billing than on any other issue, with the one exception of indecency. What are we doing about it? Not much—and nothing recently.”

Take a look at your phone bill. It’s bewildering how complicated it is. The explosion of line items has made it all but impossible for consumers to compare rates and shop around. You need a lawyer and an accountant—preferably both—to root out what you’re being charged for and why. My telecom advisor at the Commission is as bright as they come, but she will tell you she has problems understanding what’s on her bill. So pity me and the rest of us!...There’s no consumer bliss in ignorance!”

We applaud Commissioner Copps for taking this position. Now it’s time to see if the Commission will actually take some concrete steps to fix these problems.

This complaint is being accompanied by an additional complaint filed under the Federal Data Quality Act that questions the cost setting of the FCC Line Charge. As we point out, this charge was set based on a lack of quality data, transparent cost support, impure and missing analyses, among other problems.

This complaint and analysis are excerpted from “Phone Bill Independence Report” See: <http://www.teletruth.org/phonebillindependencereport.html>



1) What is “Truth-In-Billing” (TIB)?

Over the last decade, the FCC has repeatedly brought up the issue that phone bills are unreadable and that something should be done about it. In March of 2000, the FCC set up new guidelines and rules about the country’s phone bills known as “Truth-In-Billing”. The guidelines include basic principles about the information to be supplied to customers. Here is a brief description of the rules. (Also on the web at: <http://ftp.fcc.gov/cgb/policy/truthinbill.html>)

“The Commission has adopted Truth-in-Billing rules to improve consumers' understanding of their telephone bills. Among other things, section 64.2401 of the rules requires that a telephone company's bill must:

- (1) be accompanied by a brief, clear, non-misleading, plain language description of the service or services rendered;
- (2) identify the service provider associated with each charge;
- (3) clearly and conspicuously identify any change in service provider;
- (4) contain full and non-misleading descriptions of charges;

“The Commission also determined that all telecommunication providers (other than CMRS) should use standard labels on bills when referring to line item charges relating to federal regulatory action, such as universal service fees, subscriber line charges, and local number portability charges.”

<http://www.fcc.gov/cgb/consumerfacts/charges.html>

Phone companies are supposed to follow these rules and guidelines, but it is clear that the phone bills examined are not what was intended by the FCC. However, the FCC is in part to blame for some of the problems with phone bills and some charges.



2) Specific Problems and Actions Teletruth Would Like To See Implemented.

We are asking the FCC to open a Notice of Inquiry (NOI) and Proposed Rulemaking on ALL telephone charges and surcharges on all wireline, wireless, long distance, bundled packages, and broadband phone bills because the guidelines are not being enforced or are insufficient in covering the current problems on phone bills. This Proposed Rulemaking would also include the Petition by NASUCA to examine and/or eliminate various new charges that appear on the phone bill, that also appear unwarranted.

According to the FCC:³

“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.”⁴ 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*.⁵ 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.”⁶

While this is an important step, it is clearly limited. As we will show, there is a need to expand the TIB rules for the public Interest.

Specific to the FCC Line Charge:

This charge has become a slush fund with multiple names, multiple problems. From being taxed exorbitant amounts, its slipperiness in not being included in the advertised price of a bundled package, or even its moveability on the phone bill to confound regulators about rate increases, the FCC Line Charge and associated issues need to be investigated and resolved in the public interest.

- 1) The FCC Line Charge is mislabeled and deceptive. The common belief is that it funds the FCC, which is wrong.

FCC RULE:” ...accompanied by a brief, clear, non-misleading, plain language description of the service or services rendered;



- 2) More names than Lucifer. We counted at least 10 different names across the country for this charge. Pick one.
- 3) The FCC has failed to use the 'common use' of the name which includes the abbreviation "FCC". The FCC, in almost all of its press releases, rulemakings, orders, and even the web site, fails to include the mention of the "FCC" in the name. As we show, the majority of states and even long distance companies have put "FCC" in the official name of this charge. (This violates the Data Quality Act as well.) It is obvious that the phone companies include "FCC" in the name to make it look like this charge is "FCC" related, and not revenue to the company.
- 4) It is unmarked direct revenue to the local phone companies, which is not specifically mentioned.

FCC RULE: identify the service provider associated with each charge;

- 5) The FCC Line Charge is quintuple taxed on Verizon New York phone bills some 27% and phone bills do not reveal how. Neither the bills nor web site include any description of this taxation or the amounts being applied. This seems to be a common problem throughout the US.

FCC RULE (4) contain full and non-misleading descriptions of charges;

- 6) Where should it be located on the phone bill and what is it for exactly? Is it part of "Basic Service", should it be under "Taxes and Surcharges" section, is it a "long distance charge". Phone bills not only vary, but can manipulate the definition of "Basic Service".

FCC RULE (4) contain full and non-misleading descriptions of charges;

- 7) The Verizon plays with the definitions to the detriment of truthfulness about local phone charges. Even though Verizon NJ puts the FCC Subscriber Line Charge in the "Basic Service" part of the phone bills, Verizon still claims that they have not raised local rates since 1985, even though the FCC Line Charge went up 86% since 2000. This slight of hand, to include the charge in the definition of "local service", then to disavow it in another context when filing for a rate increase, clearly allows this \$6.50 a month charge to be used as a football, but never in the customer's favor.

NOTE: The FCC Line Charge's price is a "cap" or "ceiling" that can be charged, and not a specific "rate". This means that the actual price of this non-service can vary by state.



FCC RULE (4) contain full and non-misleading descriptions of charges;

- 8) The web sites and all other cross-referenced materials dealing with this charge can dramatically vary. While the name “FCC Line Charge” appears on the Verizon phone bill in New York, this charge can have multiple names on the Verizon web site. This problem is common throughout the US, as well as with the FCC’s own data.

The Outcome We Believe is Customer Friendly and “Truth-in-Billing” Correct.

Separately, Teletruth is requesting the removal of this charge and related taxes until a full calculation of the total costs, including the charge’s additional expenses to local phone service, are conducted. However, if it is required to be charged to the customer:

- Rename this charge.
- Require it to be included as part of basic local service or clearly defined.
- It should not be taxed interstate taxes, USF, and other taxes, and a cap on the total taxes on this charge should be applied if it is kept separate. If it is taxed, the companies should be required to itemize the taxes, with full calculations for the entire phone bill, including the FCC Line Charge.
- Require it to be included in all advertised package prices, all local service prices.
- Require the FCC to either change the name or use “common use” in all documents.
- Require the FCC to have all collateral materials in every media match the agreed upon name and description, including all mentions on web sites, advertising or “fine print” explanations.
- If it remains an FCC charge, then the FCC should write the definition of its charge.

Also, if the issues are not in the purview of the FCC, then the agency should ask Congress, or one of the other agencies, such as the FTC or joint-state commissions to become partners in this campaign to fix phone bills. It is not acceptable to leave phone bills the way they are. And it is clear from Commissioner Copp’s “Always On Campaign” that phone bills have problems, as told by the number of complaints at the FCC and the FCC should address these issues.

“We have a choice at the FCC. We can let consumers slide deeper into confusion and be on the receiving end of exponentially more complaints—we had nearly 7000 such complaints in the last quarter alone—or we can



explore solutions. We should return to the fundamental principle that competitive markets require consumers to have access to accurate and meaningful information. If they don't, we need to do something about it. That's what an "always-on" approach to consumers demands, and what truth-in-billing must require."



3) The FCC Line Charge: More Names Than Lucifer.

**The FCC Line Charge Names on Phone Bills,
Various States, Phone Companies, 2004**

| State | Telco | Name on Bill | Section of Bill |
|-------------|-----------------|--|-----------------|
| NY | Verizon | FCC Line Charge | Taxes/Surcharge |
| NJ | Verizon | FCC Subscriber Line Charge | Monthly/basic |
| | BellSouth | FCC Charge for Network Access | |
| CA | SBC | Federal Subscriber Line Charge | Taxes/Surcharge |
| NV | SBC | Federal Subscriber Line Charge | Taxes/Surcharge |
| OK | SBC | Customer Line Charge (Federal) | Monthly/basic |
| TX | SBC | FCC Approved Customer Line Charge | Monthly/basic |
| MO | SBC | Federal End User Common Line Charge | Monthly/basic |
| AR | SBC | Federal End User Common Line Charge | Monthly/basic |
| KS | SBC | Interstate Access Charge | Monthly/basic |
| CT | SBC | Federal Subscriber Line Charge | Monthly/basic |
| MI | SBC | Federal Access Charge | Monthly/basic |
| | Qwest | Federal Access Charge: The Customer Access Line Charge | |
| Long | Distance | | |
| | IDT | FCC Subscriber Line Charge | |
| | AT&T | FCC Line Charge | |

4) It Does Not Go To Fund The FCC As Is The Common Belief.

TIB Violation 1: It fails the FCC’s own guidelines – it is a misleading, unclear description.

This exhibit clearly demonstrates that the term used on the phone bill is not only inconsistent, but at least two of the largest Bell holding companies, Verizon (GTE, NYNEX and Bell Atlantic) and BellSouth, refer to the charge using the "FCC" in the definition. In fact, both IDT and AT&T in their local phone service offerings use "FCC" in the name of this line item.

This charge is misnamed and inherently confusing. During our interviews with customers it is clear that because of the name, customers believe that the charge funds the FCC. How is the customer to know that this charge is direct revenue back to the local phone companies?



The FCC itself is also in violation of the Data-Quality Act's reliable and objective clauses because it never refers to the charge as the "FCC Subscriber Line Charge" in discussing this charge or the cost-justification for this charge. They ignore common usage on phone bills and ignore the customer's view of this charge and thus the information and dissemination pertaining to this charge is always misleading. The FCC never mentions this charge with the "FCC" in the title in any press release or more importantly in any order, opinion or ruling. As we point out, is it any wonder why the raising of the "subscriber line charge" (SLC) did not get attention from the customers. It's not on a phone bill that way, so how would a customer understand what was really being discussed and that the FCC was planning to raise this specific phone rate?

5) The Location of the FCC Line Charge on the Bill is a Serious Problem.

Verizon New York, like SBC California, throws the FCC Line Charge in the "Surcharges & Taxes" section of the phone bill, thus conferring on it, that it is really some tax and surcharge, which it is not. Meanwhile, Verizon New Jersey and SBC Texas include the charge as part of "Basic Monthly Service", and in many states, they claim that is a regulated charge and therefore if you don't pay it, you will be disconnected. Of course, these are also not true.

Playing with the Slush Fund.

6) Misrepresenting Increases to Local Phone Service.

First, because it is on the local phone bill and many phone companies include it in the "Basic service" section, and therefore is defined as a "regulated" charge, some consumers believe it to be part of local phone service.

But the phone company can play with this definition in numerous ways.

Verizon New Jersey

Verizon New Jersey, for example, is committed to serious misrepresentation of the facts through slippery definitions. According to Verizon, the local basic residential phone service cost is \$8.19 and this has been the same charge since 1985.

"One of the benefits of PAR-2 to residential customers of New Jersey is in keeping residential basic rates unchanged since 1985, which are among the lowest rates in the nation." (Board of Public Utilities, November 7th, 2002)

"Verizon New Jersey (VNJ) noted that while New Jersey's per capita income more than doubled from 1986's \$17,652 to 1999's \$35,551, VNJ's highest rate



for **Residential service in 1985 was \$8.19 and today it remains \$8.19, a zero percent increase over a more than fifteen year span.**⁷ (emphasis added)

They manage to do this by redefining the words “residential basic rates” to suit their own needs. According to the New Jersey statutes, local phone service includes the “federally mandated subscriber line charge” and Touchtone service:

“Basic residential charges include charges for basic residential telephone service, basic local service usage, non-recurring charges for basic services, the **federally mandated subscriber line charges** and applicable state and federal taxes. Basic residential local telephone service means voice grade access to the public switched network, touch-tone service...”⁸ (emphasis added)

Verizon, New Jersey takes it one step further and totally makes the entire thing even more misleading. They claim that the charge is regulated, controlled by the NJ Board of Public Utilities and if you don't pay it you can be disconnected.

“You must pay past due balances for **Basic Local Service Charges** by the date indicated on the front page of your bill to avoid suspension of your local telephone service.” (emphasis added)

And on the New Jersey bill it states that this charge is controlled by the state's Public Utilities Commission.

“Basic Service includes all charges that are regulated by the NJ Board of Public Utilities (BPU), **such as the line charge**, local calling, etc.” (emphasis added)

And notice that this charge has different references even on the same phone bill, from “the line charge”, or “federally mandated subscriber line charges: or on the phone bill as the “FCC Subscriber Line Charge”. As we show, this lack of consistency is very confusing to the customer.

Verizon New York

Verizon, New York does the same slight of hand when talking about the costs of local phone service, by playing with the charge in the “Surcharges and Taxes” section. An example? Verizon was supposed to be able to increase retail rates by 3% per-year for 2 years.



“The new plan: Permits Verizon New York to increase its retail rates by 3% of its intrastate revenues per year in each of the two years of the plan”. (Emphasis added)

Verizon also told the public that local service has not increased, but actually went down over the last 11 years.⁹

"The price of basic service in New York has not increased and, in fact has gone down, over the last 11 years," said Paul A. Crotty, president of Verizon New York."

Obviously, since the FCC Line Charge has increased 86% since 1999, then if it is part of local phone service, this is misleading at best.

The multiple Verizon, FCC truth-in-billing violations are staggering.

- If the states had said that rates had gone up, which they did if you examine the term “Basic local service” in its common meaning, then the phone companies have lied and misled customers who might have objected to the increases.
- When customers believe it is being used to “fund the FCC”, or is a “Government tax”, how can the question the raises in rates? .
- And should a customer be disconnected if they don’t pay this charge? Doesn’t the Truth-in-billing guidelines discuss what are allowable items to be disconnected and is this on that list?

7) FCC Line Charge Is Not Included in the Advertised Price of Packages.

The FCC Line Charge is not included when the phone companies advertise their bundled packages of service. For example, our survey found that both Verizon New York and New Jersey “Freedom Packages” did not include this charge in the advertised price, nor did IDT or AT&T or any other local and long distance package.

Our survey also found that approximately 15-25% of households on a package were paying more than they would have without the package. The package added an additional 35% in these states to the advertised price and it is obvious that customers bought the package based upon the advertised price, not realizing the total expense.

Since the FCC Line Charge can add an additional \$6.50 per line, (it’s different in each state) customers were fooled by this slight of hand. This is NOT the same thing as simply



the differences of state and local taxes. Our survey found that the telecom taxes added 35% more to the actual costs.

In fact, the entire industry seems to be guilty of this advertising slight-of-hand.

8) Taxes Applied to the FCC Line Charge are Outrageous.

- **Is it a long distance charge?**
- **A federal Charge?**
- **A local charge?**
- **A tax or surcharge?**

All of these questions are important because of the tax implications, and unfortunately, the customer is always the loser in this slush fund.

A Long Distance or Local Phone Charge?

According to Verizon, the FCC Line Charge is used for routing long distance calls:

“The FCC has mandated an access charge (known as the FCC Line Charge) to partially reimburse telephone service providers for the cost of routing long distance calls made by local customers. This charge is applied to all customers who have telephone lines in their home or business, whether they make long distance calls or not.”

However, the FCC states that this charge is not related to long distance charges:

“How are long distance calls affected? The federal subscriber line charge has nothing to do with the number or type of calls a customer places or receives. It is not a charge for making or receiving long distance calls. All local telephone networks can be used for making and receiving local and long distance calls.”

We would like to point out that these new revised FCC definitions are rewriting history. For example, according to the FCC, the 1993 definition claimed this charge was part of long distance service costs.



9) The Placement of the FCC Line Charge Matters Because of the Taxes.

The example below is typical of a Verizon package from 2003. Can the FCC tell us which taxes are applied to the FCC Line Charge and the amounts for each tax?

| | | | |
|-------------------------------|--------|-----------------------|---------------|
| 4 Surcharges and Taxes | | | |
| FCC Line Charge | \$6.50 | 911 Surcharge | \$1.00 |
| Local Number Portability | \$.23 | Federal USF Surcharge | \$.62 |
| Federal Tax | \$.22 | Surcharge(s) | \$.48 |
| NY State/Local Sales Tax | \$.63 | | |
| <hr/> | | | |
| Total | | | \$9.68 |

Need we say more? There are so many violations that come directly from this phone bill that the FCC must come to grips with the fact that the Truth-in-billing guidelines fall apart or aren't being followed.

10) Quintuple Taxes Applied

This complaint requests the FCC to tell us what the taxes are and how they are being applied to the FCC Line Charge. --- For example:

- What is the FCC Line Charge doing in the section on taxes and surcharges?
- The FCC Line charge is, in this case, considered a long distance service, it is also being taxed Federal as well as USF charges, not to mention , "surcharges".
- "Surcharges" are, in and of itself a violation since there are mystery, multiple, unidentified taxes, with no calculations whatsoever. They are not individually itemized.

There are, of course, other questions as to how the federal taxes are being applied to the surcharges, not to mention the local portability charge, etc. etc.

If the charge was a local charge, it would save on USF, if the charge is long distance, then how can the Bells put it as part of "Basic Local Service".

But the largest problem – in a deregulated market, quintuple taxes added 27% to something in the "Taxes and Surcharges" section this is ridiculous and outrageous. The FCC needs to address this as part of "Truth-in-Billing" because definition and taxation matters to customers and these bills hide all references to tax calculations and fail most 'fair-and reasonable' statutes. 27% tax is not reasonable, and the FCC, who is supposedly in charge of this charge, needs to clean up their act.



11) Other Terms and Problems

Verizon informs its customers that the FCC Charge is “mandated”. From the website:

“The FCC has **mandated** an access charge (known as the FCC Line Charge).”

On the New Jersey Verizon phone bill, we find:

“...Federally **mandated** subscriber line charge”.

According to the FCC, the charge is not mandated.¹⁰

“No, the FCC does not mandate that Verizon charge you a subscriber line charge, the FCC does mandate that an ILEC may not charge you more than the cap.”

This is just one of the basic problems with the definitions and words surrounding this charge. On some phone bills it is ‘ordered’, while many other definitions float around. The FCC needs to examine this issue and make the definitions match the service – and “Tell The Truth.”

12) Cross Reference this Charge on the Phone Bill with the Definitions and Words on the Verizon Site.

On the Verizon site we find that when we search the site, the charge is called “Subscriber Line Charge” or the “Interstate/Intrastate Access Charge”.

3. [What is an Interstate/Intrastate Access Charge?](#) The Subscriber Line Charge is a fee that helps telephone companies, like Verizon, recover the

4. [Subscriber Line Charge](#) The Subscriber Line Charge is a fee that helps telephone companies, like Verizon, recover the ...

Verizon then goes on to show these names:

- Interstate Access Charge
- Interstate Subscriber Line Charge
- Federal Subscriber Line Charge
- Federal Line Cost Charge
- Federally-Ordered Line Cost Charge



However, on yet another page, of all phone taxes and surcharges we find.

“The **FCC Line Charge*** is a nationwide charge that is designed to recover a portion of local telephone companies' costs associated with providing long distance carriers with access to the local phone network. Long distance carriers pay the remainder of the cost. This charge is regulated by the FCC.

“If you would like further information on the **FCC surcharge**, please visit the telephone industry's Web site at <http://www.phonebillcentral.org/>.”

The Verizon, New York phone bills calls it an “**FCC Line Charge**” while New Jersey Verizon calls it “**FCC Subscriber Line Charge**”. Need we say more?



Endnotes

¹ From the fact-based novel "The Dirty Little Secret Lives of Phone Bills, published April, 2004

² Remarks Of Commissioner Michael J. Copps Consumer Assembly 2004 *The Continuing Communications Revolution: The Need For Consumer Protection "An Always-On Campaign For Consumers"*, March 11, 2004

³ National Association Of State Utility Consumer Advocates (NASUCA) Petition For Declaratory Ruling Regarding Truth-In-Billing And Billing Format CG DOCKET NO. 04-208, May 25, 2004

⁴ See Petition for Declaratory Ruling, CC Docket No. 98-170, filed March 30, 2004.

⁵ 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).

⁶ See Petition for Declaratory Ruling at p. 42.

⁷ VNJb at 15-16, NNJ -10 at 11-12 BPU Docket NO TO01020095 on page 20.

⁸ N.J.A.C 14:3-7.17 Termination of Residential Telephone Service

⁹ Investor Information /News Verizon, New York DPS Reach Agreement on New Regulatory Plan, Feb 11, 2002.

¹⁰ Source: Email from FCC, FCCTSR59, FCC - GCC59, November 19, 2001.