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FEDERAL COMMUNICATIONS COMMISSION TAKES FURTHER STEPS TO TAKE PROFIT OUT OF THE ILLEGAL PRACTICE OF TELEPHONE "SLAMMING"

Washington, D.C. – Today, the Federal Communications Commission (FCC) adopted tougher rules to combat the illegal practice of slamming. Slamming, the single largest source of complaints to the Commission over the last several years, is the unauthorized change of a consumer's preferred telephone company. The Commission decided that state regulatory commissions are better equipped than the industry to resolve slamming disputes and directed that those disputes be brought before state commissions, or the FCC in cases where a state has not elected to administer these rules. The rules adopted today also require slamming carriers to pay out 150% of all payments received from consumers.

In this order, the Commission accepts the proposal of state regulatory commissions that they, and not the industry, resolve slamming disputes. Previously, the Commission had delayed the effective date of the liability rules to permit the industry to reach consensus on a plan to have an independent third party administrator resolve slamming disputes and administer the liability rules. However, such a consensus was never reached. Over thirty-five state commissions came forward to express their willingness to take the lead in administering anti-slamming rules, and the Commission accepted their proposal.

Additionally, today's action reaffirmed that, where the consumer has not paid the slammer, the consumer is absolved of the obligation to pay for service for up to thirty days after being slammed. However, for those cases where the consumer has paid the slamming carrier, the Commission modified the applicable liability rules. Under the new rules, a slammer is obligated to pay to the authorized carrier 150% of the charges it received from the consumer. The authorized carrier will, in turn, reimburse the consumer 50% of the charges the consumer paid to the slammer. Thus, the Commission increased penalties for slamming and increased the incentives for authorized carriers to go after slammers, while ensuring that consumers receive compensation.

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Court Stay Summary

Today's order is a reconsideration of the anti-slamming rules that the Commission adopted in 1998. Those rules included the following:

1. Strengthening the liability rules to take the profit out of slamming by absolving consumers of 30 days of slamming charges.
2. Strengthening the procedures by which carriers must obtain customer verification of preferred carrier change requests.
3. Broadening the scope of these verification procedures to apply to local as well as long distance carriers.
4. Establishing rules governing preferred carrier freezes, which prohibit carriers from changing a consumer's preferred carrier without that consumer's express authorization to "lift the freeze."

In May 1999, the U.S. Court of Appeals for the D.C. Circuit stayed the liability rules at the request of MCI WorldCom.

The Commission believes that today's actions, particularly the decision to have the states resolve slamming disputes and the modification of the re-rating rules, should remove any concern that may have prompted the court to impose a stay, and will ensure that consumers are fully protected from slamming.

Action by the Commission April 13, 2000, by First Order on Reconsideration (FCC No. 00-135). Chairman Kennard, Commissioners Ness, Powell and Tristani, with Commissioner Furchtgott-Roth approving in part and dissenting in part.

CC Docket No. 94-129

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