

**Prepared Remarks of Chairman Julius Genachowski
Federal Communications Commission**

“The FCC’s Consumer Empowerment Agenda”

**Center for American Progress
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Thank you, Sarah Wartell and the Center for American Progress for hosting this discussion on the important topic of consumer empowerment.

Thank you to the consumer groups with us today -- Consumers Union, the Consumer Federation of America, the National Consumers League, and Consumer Action. You give voice to the concerns of millions of Americans who can’t afford to hire a lobbyist -- keeping both government and business honest.

Thank you to other guests, who have worked on these issues, in particular the staff of Senator Tom Udall, a forceful leader and advocate for consumers on Capitol Hill.

And thank you to the citizens who came here to share your stories. When you were the victims of bad business practices, you didn’t lie down. You spoke up. At times, many of you surely wondered if anyone was listening. Well, America can hear you now.

I welcome this opportunity to talk about the FCC’s Consumer Empowerment Agenda, and what we’re doing at the FCC to make sure that you and all Americans have the tools to take advantage of new technologies, without having to worry that somebody is taking advantage of you.

There’s never been a more exciting -- or complex -- time to be a consumer of communications technologies.

Virtually every day, new devices and services are becoming available. And America’s appetite for these new offerings appears to be insatiable. The number of wireless subscriptions is up to 293 million. The variety and capabilities of smartphones is incredible.

And here come the tablets. Consumers bought more than 3 million iPad’s in just 80 days, and we have new Windows, Blackberry and Android tablets -- to name a few -- on the way. We just got our first look at Google TV, and new video delivery boxes from Apple and Roku hit store shelves last week, as the way we watch video on our flat-screen HD TVs continues to evolve.

The broadband revolution is well under way, wired and wireless. Most of us would have a hard time imagining how we would get through the day without our favorite network-linked gadgets.

These new technologies reflect amazing and world-leading innovation. They are not only changing the way we live, they are driving our economy and creating jobs. The information and

communications technology sector accounts for roughly one-seventh of GDP, and includes some of our fastest growing industries as we transition to a 21st century economy.

No sector provides greater promise to be a foundation for enduring economic growth and job creation in the United States, to drive our global competitiveness and ensure that we lead the world in innovation. And that's why we're working so hard to implement the National Broadband Plan, including unleashing and recovering spectrum, licensed and unlicensed; lowering the cost of deploying broadband infrastructure; reforming the universal service fund; promoting adoption; and promoting telemedicine, E-rate for education, broadband and energy, and e-government.

Now, as we've all experienced, the new devices and services, in addition to bringing value, bring complexity, too. The more devices we buy, the more services we subscribe to, the more perplexing it can be for consumers. Instead of tracking minutes used, something intuitive -- consumers are being asked to track megabytes of data consumed. How many people even know what a megabyte is?

Then you've got people receiving 300-page phone bills, as many of you have seen on a well-circulated YouTube clip. Fortunately for the rain forests, that's not the norm. But it gives you a pretty good sense of how consumers are entering uncharted waters as the digital revolution gathers steam.

Making sure consumers have the tools and information they need to navigate this changing landscape has been one of my top priorities since I became FCC Chairman. My first day on the job, I gave a speech placing consumer empowerment as a key priority on my agenda, along with unleashing spectrum, and driving broadband deployment and adoption, and a thriving broadband ecosystem.

Focusing on consumers is critical for a number of reasons.

First, it is one of our agency's core responsibilities. We are here to serve the public, and we must ensure that consumers have the tools and information to make the market work and, when necessary, to challenge unfair business practices. Consumers must know that the FCC's got their back.

Second, fighting for consumers is not only the right thing to do, it's also the smart thing to do for our economy. Pro-consumer policies are pro-competition and pro-innovation. This is particularly true of a core strategy we are pursuing: harnessing information technology to empower consumers with the knowledge they need to make the market work. Technology-driven transparency is a powerful tool. The more consumers know, the more likely it is that the company offering the best product, or service, or price will come out on top -- driving competition, which drives innovation resulting in better and more useful products for the American people. The FCC's Consumer Empowerment Agenda is all about driving dynamic, free markets.

Third, consumer empowerment enhances technology adoption. Broadband Internet adoption is critical to participation in the digital economy and 21st century democracy. We know from our consumer research that many people have concerns about signing up for broadband that keep them from doing so. Consumers need to know that they will not risk unexpected fees, surprising contractual obligations, or breaches of their privacy and security when they use the most advanced communications technologies the market has to offer.

So what are the central elements of the FCC's Consumer Empowerment Agenda?

As I mentioned earlier, our Agenda is focused on harnessing technology and transparency to empower consumers with the information they need to make smart decisions and to make the market work.

My belief in the power of transparency goes back to my days working on the "Schumer Box" in the 1980s, a clean and simple way to display key credit card information to consumers. Decades later, the power of clear and simple transparency remains constant. What's changed is the explosion of new technology that makes information more easily accessible, at the times when the information can be most helpful, and enables new tools for empowering consumers.

The National Broadband Plan embraces greater technology-driven transparency as a key strategy to promote competition in broadband. Our work on the Plan revealed that 4 out of 5 consumers don't know the speed of their home broadband connection, and many consumers experience Internet speed in their homes that's as low as half of the advertised speeds.

In March, the FCC released a new tool on our website that allows consumers to test their broadband speeds -- both on their computers and their smartphones. To date, more than 1.5 million people have used our speed test tool.

Today, I want to highlight how the FCC is using technology and transparency to help consumers cope with a perennial source of headaches: fees and billing.

When consumers sign up for a new communications service, they can face frustrations at every stage of the process. With all the fine print, consumers are often uncertain about what they are signing up for and the terms of their contract. When consumers get their bill, they can be surprised by unexpected fees, some large and some small. And further down the road, if they decide to switch services, they are sometimes surprised to find themselves paying new fees.

Mystery Fees

Let's start with mystery fees.

In an era where 300-page bills are within the realm of possibility, it's hard to keep track of everything you're being charged and too easy to find yourself paying more than you had planned on. At the FCC, we've received a growing number of reports of "mystery fees" popping up on bills that subscribers weren't aware of and that, in a number of cases, were unauthorized.

I know we agree: companies should compete on value, price, and service, not consumer confusion.

What about fees for cell phones in particular?

Earlier I mentioned that there are 293 million mobile subscriptions in the U.S. Now consider this, 265 million of these phones can transmit data. 61 million are smart phones that can do just about anything. Americans sent 1.8 trillion text messages last year. It used to be that a triple-play bundle meant TV, phone and internet service for your home. Now, you can have a triple-play just for your cell phone bill -- voice, text and data services.

Not surprisingly, cell phone bills have proven to be fertile ground for mystery fees.

Last week, it was reported that Verizon Wireless mistakenly charged mystery fees to more than 15 million Americans resulting in overcharges of more than 50 million dollars.

Our FCC Enforcement Bureau, under the strong leadership of Michele Ellison, launched an investigation into this matter earlier this year. While I can't comment on the specifics of an ongoing investigation, I can say that our staff is working overtime to get to the bottom of this matter and investigate other complaints as well.

The FCC role here is to be a cop on the beat protecting and representing American consumers, giving them a voice in the process. I am working every day to make sure that consumers receive straight bills and straight answers when they question them.

Today, I'm pleased to announce that the FCC will soon hold a public forum on unexpected phone charges and related issues. I look forward to hearing from consumers and consumer groups, industry representatives, and technology experts.

Bill Shock

Another unexpected charge I want to talk about today is something we call "Bill Shock." Bill shock occurs when consumers see their bills jump unexpectedly by tens, hundreds, or thousands of dollars from one month to the next.

Common cases are when a subscriber is charged for unknowingly exceeding his or her allotments for voice, text or data, or gets hit with roaming charges that are unexpected. Today, you have heard from a woman who got a \$30,000 cell phone bill for data and texting charges incurred when she used her phone after the earthquake in Haiti, where she was visiting her sister -- even though her provider had advised that a courtesy plan would be extended to those effected by the disaster.

Another speaker got surprised by an \$18,000 bill after his free data downloads expired without warning.

Sadly, these are not isolated incidents.

We released a survey in May showing that an estimated 30 million Americans have experienced bill shock in one form or another -- that's 1 in 6 mobile subscribers.

Today, we're releasing a detailed analysis of the complaints that the FCC has received on bill shock this year -- and it shows how serious this problem can be.

Two-thirds of the complaints we received are disputing amounts of a hundred dollars or more. Twenty percent involve a thousand dollars or more. That's a big hit for budget-conscious consumers, especially in this time of economic distress. And even smaller unexpected charges can pose real problems for consumers on fixed incomes.

Even if many of these cases are resolved, something is clearly wrong with a system that makes it possible for consumers to run up big bills without knowing it.

Cases like this are why our Consumer Bureau, under the innovative leadership of Joel Gurin, issued a Public Notice in May asking whether there are any technical or other reasons wireless carriers couldn't implement basic bill shock protections. The Bureau noted that the same types of anti-bill shock protections already are required in other countries. These protections simply require sending customers text or voice alerts when they're approaching the limits of their text, voice, or data plans, or about to incur roaming fees.

Most people don't know what a megabyte is. But they do understand when they get an alert telling them they're about to go over their limit and incur additional fees.

Today technology offers ways to empower consumers with timely, relevant information that they can use to make the market work.

Many carriers already offer some of these tools to help consumers. For example, iPad users are automatically signed up for text alerts from AT&T when they are about to incur overage charges. These are smart tools to help consumers make smart decisions, but they are the exception, not the rule. They're not yet helping consumers consistently, as evidenced by the tens of millions of bill shock victims.

We've gotten many of comments on that public notice, as well as on other approaches to preventing bill shock. We have met with consumer groups, major wireless service providers, and smaller providers, and are aware that smaller carriers face some unique challenges. All of this research has fed into proposed action on bill shock that will be voted at tomorrow's Commission meeting. And I expect that we will be moving forward on ways to prevent bill shock in a simple, practical, non-prescriptive manner, using technology widely available today, and in a way that encourages innovation in informing consumers.

I know that some will argue this is unnecessary or burdensome. But consider what I heard this morning from a business executive. He said that a couple of months ago he had incurred \$2,000 in extra data charges while on a trip overseas, despite buying an "international plan" -- in his words he was billed for -- quote -- "more than 15 times what I had expected to pay." He said: "It

took hiring a lawyer to get the charges waived – cost me almost as much as the charges, but I did it for the principle. Most Americans would not have his luxury.”

This executive mentioned that he was in the technology business, doing work to enable cell phones to pay for on-street parking. He wrote: “I know how easy it is to send a consumer a text message; we send one 10 minutes before a parking meter expires so they don’t get a parking violation ticket; we do it numerous times a day. The only reason not to do it is if you’re trying to take advantage of a customer.”

“Good luck with this,” he said. “It’s a worthy cause.”

Early Termination Fees

Let me address one other issue. Early Termination Fees have been a consumer headache – both for wireless customers and, increasingly, for people on fixed broadband and bundled plans. Early Termination Fees are the charge you pay when you break your contract early. In the case of cell phones, for example, there’s a legitimate case for ETFs. Most carriers subsidize the cost of your new phone -- allowing you to get the latest smartphones at significant discounts. If people could switch carriers right after getting their subsidized phones, carriers could take a bath, and phone costs could go up.

Here’s the problem. Too often people are confused and don’t have clear information about their choices – such as whether or not they can buy phones without an ETF.

Confusion is particularly high for fixed broadband and bundled plans where these fees are a fairly recent development.

There’s no reason we shouldn’t have clear and simple disclosure around ETFs. We’re looking at this issue with the same basic view of harnessing technology to empower consumers with information in order to make the market work.

These elements of the FCC’s Consumer Empowerment Agenda build on other steps we have already taken.

For years, the FCC has worked to promote truth-in-billing. Why not truth at every stage that’s important to consumers -- helping ensure consumers have the key information they need when they’re choosing a provider, choosing a service plan, or deciding to change providers, as well as when they read their bills. Again, this is an area where we can use technology and transparency to empower consumers and make the market work.

We have formed an agency-wide Consumer Task Force, which has already led to new initiatives in consumer information and empowerment throughout the agency. For example, we now have a new website, at fcc.gov/consumers, where you can read about these new initiatives, and use digital tools like our broadband speed test.

We have formed an inter-agency task force with the Federal Trade Commission to improve online privacy and ensure that every Internet user's personal information is safe and secure. And as we promote transparency and digital tools as core pieces of our Consumer Empowerment Agenda, it's important to remember that when there is bad conduct in the market, we have acted, and we will act.

When voice-over-IP applications like Skype were being blocked on the iPhone, we issued inquiries about the policy. A short time later VOIP applications were allowed.

When a number of sellers of mobile phones raised their early termination fees, our staff launched an investigation. The result: one company lowered its ETF, and another narrowed the list of phones subject to a higher fee.

Consumers of communications services need a watchdog -- and they can rest assured knowing the FCC is looking out for them. We are doing so, while also driving policies to unleash innovation and promote economic growth and job creation in this vibrant sector.

We can do both, and we must do both.

As we all know, this is a very difficult time in our economy. Millions of Americans are struggling to get by -- and even a small, unexpected fee can make a big difference. Now, more than ever, we need to make sure consumers aren't being charged for more than what they signed up for, and that they have the information they need to make the best decisions for their families. We need to educate, empower, and enforce.

And now more than ever we need to make sure our policies promote economic growth and create jobs. If we work together to empower consumers and promote our economy, we can score meaningful and lasting victories for the American people.

Thank you.