

FCC CHAIRMAN JULIUS GENACHOWSKI
REMARKS ON CONSUMER EMPOWWERMENT

CENTER FOR AMERICAN PROGRESS
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Thank you, Sarah, for welcoming me.

I'm pleased to be back at CAP.

I was here last October to announce the launch of a major new effort to crack down on "bill shock."

Bill shock is when mobile subscribers see their bills jump unexpectedly by tens, hundreds, or even thousands of dollars from one month to the next.

I said then that this was part of our Consumer Empowerment Agenda, which 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.

The day after that announcement, the Commission voted to move forward toward an automatic alert system that allows consumers to avoid surprise overage charges. This process is on track, and I expect we will have a practical solution in place in the not-too-distant future.

Later that same month, the Commission took strong action to deter "mystery fees."

As you might guess, these are fees that mysteriously appear on consumers' phone bills and are usually unauthorized by the customer.

The FCC investigated reports that Verizon Wireless had charged 15 million customers improper "mystery fees."

At the conclusion of the Commission's investigation, Verizon Wireless agreed to repay to consumers more than \$50 million dollars in overcharges, and to make a \$25 million payment to the U.S. Treasury, the largest settlement in FCC history.

Now the FCC is taking important steps in its efforts to crack down on cramming charges and other mystery fees.

We've proposed high fines for companies that have taken millions of dollars from consumers through unauthorized fees; we're taking new steps to educate consumers about cramming; and tomorrow, I will circulate to my colleagues an item that will empower consumers to better protect themselves from cramming.

These are important next steps to protect consumers from hidden fees that can cost them money, take valuable time to resolve, and undermine the public's confidence in our communications system.

Cramming is the illegal placement of an unauthorized fee onto a consumer's monthly phone bill.

The cramming party can be the customer's own phone provider or an unaffiliated third party.

These improper charges can be for voice mail or long distance service the consumer didn't request.

They can also be for completely unrelated items.

We've seen people getting charges for yoga classes, cosmetics, diet products, and – yes – psychic hotline memberships.

These improper charges typically range from \$1.99 to \$19.99 per month – it can add up to real money when so many Americans are struggling to get by in this tough economy.

These mystery fees are often buried in bills that can run 20-or-so pages, and they are labeled with hard-to-decipher descriptions like U-S-B-I.

Not surprisingly, these charges often go undetected for months or more.

In fact, according to a survey done for the Federal Trade Commission, only 1 in 20 cramming victims ever notices the charges.

As a result, consumers too often get bilked out of hundreds of dollars.

This is simply unacceptable – and we must do whatever we can to protect consumers from getting nickel and dimed by these unfair practices.

Anyone can be a victim of cramming -- of these mysterious charges. We estimate that the problem may affect up to 20 million Americans a year. People like a St. Louis, Missouri woman who was charged for 25 months of long-distance service she never authorized or used. When she protested the charges, the company sent her a copy of the form that she had supposedly used to authorize the service. It had a different name, address, email and birth date than she did. Even so, the long-distance company offered to credit back only a fraction of the cost.

Cramming is not only illegal, it erodes consumer trust in communications services. That makes it both unfair to consumers and unfair to most communications companies who do the right thing every day.

The FCC will not tolerate cramming and mystery fees -- and we are turning up the heat on companies that rip off consumers with unauthorized fees.

At the end of last week, the Commission – acting on our Enforcement Bureau’s investigation and recommendations – proposed \$11.7 million in fines against four companies that appear to have engaged in widespread cramming.

We found that each of these companies was charging thousands of consumers for a type of long-distance service they never ordered or used, with each company billing consumers roughly \$13 to \$15 at a time. This resulted in the apparent overcharging of consumers to the tune of about 8 million dollars.

This Commission action was bipartisan and unanimously approved by all Commissioners.

We all want to send a clear message: if you charge consumers unauthorized fees, you will be discovered and you will be punished.

We also want to communicate to consumers that they should be vigilant in protecting themselves from crammers.

Consumers should review their bills every month, and report discrepancies to their phone company. But, as I said earlier, it can be hard to spot improper charges on your bill. That’s why we’re issuing a consumer tip sheet on cramming that will be available on fcc.gov. It lays out a series of questions you can ask yourself, that will help you spot improper charges on your bill. Questions like:

- Do I recognize the names of all of the companies listed on my bill?
- Are there charges for calls I did not place or products or services I did not authorize?
- Are the rates I am being charged consistent with the rates I signed up for?

We encourage consumers to contact the third parties who are billing them or contact their carriers directly to request adjustments to their bills. If you need help resolving your dispute, you can contact the FCC at fcc.gov/complaints, or call 1-888-CALL-FCC (1-888-225-5322). Consumer complaints served as the foundation for last week’s enforcement actions.

I’m also announcing that, tomorrow, I will be circulating a proposal to my colleagues to explore new ways to empower consumers and protect against cramming.

These steps will increase transparency and smart disclosure – steps that are part of a larger effort the FCC is taking across the board.

I believe transparency is critical to empowering consumers to make informed choices in the communications marketplace.

I am pleased that other parties are looking into cramming, including the Senate Commerce Committee, the FTC, and a number of states. In particular, I welcome Sen. Rockefeller's call for

a hearing on this issue. I look forward to working with all of these parties to crack down on this illegal practice.

Our work on cramming, bill shock, and other billing issues are all part of a larger Consumer Empowerment Agenda, which focuses on empowerment, education, and enforcement. And consumer empowerment and protection are among the Commission's highest priorities, along with promoting competition, innovation, and job creation.

Once again, the strong staff of the FCC has done great work. On behalf of consumers, I thank our Enforcement Bureau and our Consumer & Governmental Affairs Bureau.

Today we are saying loud and clear to consumers trying to navigate the complex and constantly changing communications landscape – the FCC is on your side. We are focused on helping all Americans seize the tremendous opportunities of communications technology.

Thank you.