

**STATEMENT OF  
CHAIRMAN JULIUS GENACHOWSKI**

Re: *Empowering Consumers to Prevent and Detect Billing for Unauthorized Charges (“Cramming”), Consumer Information and Disclosure, Truth-in-Billing and Billing Format*; CG Docket Nos. 11-116 and 09-158, CC Docket No. 98-170

We tackle today the problem of unauthorized charges on phone bills, or “cramming.”

Cramming is fraudulent and illegal. It happens when a company places charges on a telephone bill for products or services that the consumer never requested. These charges can be for anything from long-distance service to horoscopes to diet plans.

It is unfortunately a continuing problem for wireline telephone customers and an emerging one for wireless customers as well.

The complaints that we receive here at the FCC, and similar complaints to the FTC, state authorities, and the carriers themselves, all show that cramming is a widespread problem, especially for wireline service. And we believe the complaints greatly understate the extent of the problem. One expert survey found that only five percent – one in twenty – of consumers who had received charges from a particular cramming company were even aware that the charges were on their bills. Now that more and more consumers use electronic billing and automatic payment, it is a serious risk that these unauthorized charges will go undetected for months or even years.

In all, we estimate that cramming may affect 15-20 million Americans a year. And anyone can be a victim of cramming:

- One consumer complained to the North Carolina Attorney General’s office about a company that claimed he had ordered its long-distance service over the Internet. As he told the AG’s office, that was impossible because he doesn’t own a computer.
- A consumer in Washington, D.C. victimized by cramming was told by the cramming company that he had authorized the charge. When the consumer asked for proof, the company gave him an “authorization” record with someone else’s name, a non-working email address, and a street address in Berkeley Springs, West Virginia that turned out to be the address of the Berkeley Springs Chamber of Commerce.

These are just a couple of the numerous cramming complaints that consumers have filed with us.

The Commission has been aggressively pursuing reports of cramming. Several months ago, we approved a settlement with Verizon Wireless over unauthorized “mystery fees” charged to approximately 15 million customers. That included a refund of about \$53 million to customers and a \$25 million voluntary payment to the U.S. Treasury. And just last month, also thanks to the hard work of our Enforcement Bureau, we issued four Notices of Apparent Liability for Forfeiture proposing \$11.7 million in forfeitures against four telecommunications carriers that appear to have engaged in widespread cramming.

The FCC is turning up the heat on companies that rip off customers with unauthorized fees. We are sending a clear message: if you charge consumers unauthorized fees, you will be discovered and you will be punished. The rules we propose today are common-sense measures to empower consumers to

identify fraudulent charges and take corrective action to protect themselves, while minimizing the compliance burden on carriers.

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 Senator Rockefeller's call for a hearing on this issue, which is scheduled for tomorrow. I look forward to working with our partners in government and all stakeholders to crack down on this illegal practice.

I thank the staff from the many Bureaus involved in this item for their diligent efforts, particularly our Wireline Bureau, our Wireless Bureau, our Consumer Bureau, and our Enforcement Bureau – and for their great work in general to empower and protect consumers.