



# South Carolina Department of Consumer Affairs

## The Savvy Consumer's Guide to **UNDERSTANDING YOUR TELEPHONE BILL**



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- ☞ Consumer confusion over telephone bills has contributed to the growth of telecommunications fraud especially . . . SLAMMING — changing a subscriber’s telephone company without the subscriber’s knowledge or consent, and CRAMMING — placing unauthorized, misleading or deceptive charges on consumers’ telephone bills. Companies that engage in these practices rely on consumer confusion to mislead subscribers into paying for services that were not authorized or received.

The Federal Communications Commission (FCC) has proposed “truth-in-billing” guidelines to help consumers understand their telephone bills:

- ☞ Telephone bills should be clearly organized and highlight any new charges or changes to consumers’ services since the last bill.
- ☞ Telephone bills should contain full and non-misleading descriptions of all charges and clear identification of the service provider responsible for each charge.
- ☞ Telephone bills should clearly and conspicuously specify whom consumers should contact regarding inquiries and complaints and charges and services listed on their telephone bills.

Consumers should review their monthly telephone bill just as closely as their credit card and bank statements. Ask yourself the following questions when reviewing your bill:

- ☞ Do I recognize the names of all of the companies listed on my bill?
- ☞ What services were provided by the listed companies?
- ☞ Does the bill include charges for calls I did not place and services I did not authorize?
- ☞ Are the rates charged by each company consistent with the rates that the company quoted to me?

If you don’t know what service was provided for a charge listed on your bill, ask the company that billed the charge to explain the service BEFORE paying the bill.

Additional information on telephone-related issues is available on the FCC’s web site, [www.fcc.gov/ccb/consumer\\_news](http://www.fcc.gov/ccb/consumer_news), or by calling 1.888.225.5322 or 1.888.835.5322 (TTY).

## LOCAL FEES AND CHARGES

### ☎ BASIC SERVICES

☎ Local exchange service that provides local calling within a defined geographical area, and one annual local directory listing (white pages or equivalent). It also provides access to other services that are not included in the price of basic service, including: access to long distance service, access to emergency services, access to directory assistance, access to relay services and access to operator services.

☎ The price of basic service may also include an additional charge for optional or non-optional extended area calling arrangements (such as a special town-to-town addition to the local calling area), or an area-wide calling plan (such as BellSouth's Area Plus® service).

### ☎ OPTIONAL SERVICES

☎ Services like call waiting, call forwarding, Caller ID, and telephone company provided voice mail. Some companies may offer package deals if you purchase more than one of these services.

### ☎ INSIDE WIRE MAINTENANCE PLAN

☎ An Inside Wire Maintenance Plan is an optional service that is no longer regulated. After the breakup of the Bell System in the early 1980s, customers were able to purchase their own telephone equipment. That included the telephone wiring in your house. Every residence should have a telephone junction box known as a Network Interface Device, or NID on the outside of the building. That box should contain a telephone jack where the line can be tested by plugging in a standard telephone. Repair of the wiring on the network side of the NID is the responsibility of the local telephone company. Repair on the customer side of the NID is your responsibility.

☎ Inside wire maintenance plans are sold by local telephone companies as an insurance policy for the wiring on the customer side of the NID. If a customer pays this charge each month, he will not have to pay an additional charge if a telephone company technician has to repair the inside wire. However, in the long run, it is generally quite expensive.

☎ If your telephone service isn't working from any phone in the house, you should take a telephone outside to the NID and plug it into the jack. If the phone does not work from that jack, the problem is with the telephone company's line, and its responsibility to repair at no cost to you. If the phone does work from that jack, the problem is with the inside wire, and the repair is your responsibility. Running a new wire from the NID or replacing an inside jack may be a relatively simple repair for you or an electrician.

☞ If you are renting your residence, and your landlord has provided a telephone jack, you probably should not pay for inside wire maintenance. If the landlord provides the telephone wiring and the jack, he will generally be responsible for the repair of those facilities, just as any other wiring. However, if you have a problem with your service, either you or your landlord should still test the service at the NID before calling the telephone company or anyone else for repairs. The landlord not you, decides who will make the repairs.

#### ☞ FEDERAL UNIVERSAL SERVICE CHARGE

☞ In some areas, local residential telephone service is priced below cost so that all consumers can afford basic telephone service.

☞ The Federal Universal Service Fund is a subsidy system used to ensure access to telecommunications services for all Americans. The goals of Universal Service are to promote the availability of quality services at just, reasonable and affordable rates, increase access to advanced telecommunications services throughout the nation, and advance the availability of these services to all consumers, including those in low income, rural, and other high cost areas at rates that are reasonably comparable to those charged in urban areas. The fund also supports telecommunication services for schools, libraries and rural health care providers.

☞ It has been national policy to promote telephone service to all households since the 1930s. The concept of Universal Service was initially adopted into federal law by the Communications Act of 1934, but the fund's creation was mandated and the scope of existing Universal Service provisions were expanded by the Telecommunications Act of 1996.

☞ The 1996 Telecommunications Act also states that all providers of telecommunications services should contribute to Federal universal service in an equitable and nondiscriminatory manner.

☞ The Universal Service Fund is administered by the Federal Communications Commission (FCC).

#### ☞ FCC LOCAL NUMBER PORTABILITY LINE CHARGE

☞ In order to increase competition in local telephone markets, Congress in 1996 mandated local telephone companies to offer "telephone number portability."

☞ Long-term telephone number portability is a service that provides residential and business customers with the ability to retain, at the same location, their existing local telephone numbers when switching from one local telephone service provider to another.

☞ Telephone companies had to upgrade their networks in order to comply with Congress' directive. The FCC determined that local telephone companies were allowed, but not required, to recover costs of implementing and providing telephone number portability through two kinds of charges: 1) charges paid by other telephone companies that use a telephone company's number portability facilities to process their own calls; and 2) a small, fixed monthly charge assessed on telephone customers.

☞ Your telephone bill specifies the number of lines being assessed the portability charge. The FCC's "long-term number portability cost recovery system" permits local telephone companies to assess one monthly telephone number portability charge for each telephone line. If you have more than one telephone line such as a FAX line or a dedicated computer line, you will be charged for each line.

☞ Lifeline Assistance Program customers are not assessed the long-term number portability charge.

☞ The FCC nor any other government agency receives the fees collected. The charges are used by local telephone companies to cover the costs of establishing, operating and maintaining the number portability network.

☞ Telephone number portability does not allow consumers to take their telephone numbers with them when they move.

☞ The charge is not permanent. Once your local telephone company recovers the expenses it incurred to upgrade its network, it must remove the charge from bills. The maximum period is five years.

#### ☞ EMERGENCY SERVICE PREPARATION CHARGE

☞ Monthly charge billed on behalf of county of residence to help provide for emergency 911 telephone service in your community.

#### ☞ FCC CHARGE FOR NETWORK ACCESS

☞ After the breakup of the Bell System, the FCC adopted rules to govern the way local telephone companies recover the costs of the local telephone network, including the "local loop." The local loop refers to the outside telephone wires, underground conduit, telephone poles and other facilities that link each customer to the telephone network. The costs of the local loop are recovered by telephone companies through local rates, access charges, and the flat-rate FCC Charge for Network Access.

☎ Access charges are the per-minute wholesale charges local companies charge long distance companies for completing long distance calls over the local loop. Every long distance call you make includes per-minute fees that your long distance company pays to both your local telephone company and the local telephone company of the person that you called.

☎ The FCC Charge for Network Access is a flat-rate charge on the local portion of your bill that the FCC allows local companies to charge. That charge has been rising recently due to actions by the FCC to cut the price of access charges. As of July 1, 2002, local companies can charge a residential customer as much as \$6.00 per line, per month. Most companies do charge the full amount. In July 2003, companies will be able to raise the charge to \$6.50 per month.

#### ☎ INTRASTATE UNIVERSAL SERVICE CHARGE

☎ On June 6, 2001, the South Carolina Public Service Commission (PSC) issued an order implementing the State Universal Service Charge. Beginning on October 1, 2001, all telecommunications customers in South Carolina became subject to a State Universal Service Charge of 2.13% on their total telephone charges. The fund is currently projected to produce approximately \$40,000,000 annually.

#### ☎ TELECOMMUNICATIONS RELAY SERVICE

☎ Telecommunications Relay Services (TRS) enable telephone communication to take place between people who are hearing and people who have hearing and speech disabilities.

☎ This service was originally required by the Americans with Disabilities Act. It was implemented nationwide in 1993. FCC rules require telephone companies to provide TRS nationwide on a 24-hour-a-day, seven-day-a-week basis, at no extra cost to callers.

☎ This charge funds the cost of providing special operators that are able to allow people with hearing and/or speech disabilities to communicate over the telephone with hearing individuals. Operators type the words spoken by hearing people to the deaf person, and speak the words typed by the deaf person. For more information, visit the Relay South Carolina web site at [www.relaysouthcarolina.com](http://www.relaysouthcarolina.com).

☎ Relay service can be accessed by dialing 711 or other toll-free numbers listed in your telephone directory.

☎ The charge also funds the Telecommunications Equipment Distribution Program (TEDP) in South Carolina. This program distributes special telephone equipment, free of charge, to people with qualifying hearing and/or speech disabilities. For more information, call 1.877.225.8337, or 1.877.889.8337 (TTY), or visit the TEDP web site at [www.scadeaf.org/tedp.htm](http://www.scadeaf.org/tedp.htm).

☎ The PSC requires companies to place this charge on bills, and administers the funds collected.

### ☎ FEDERAL TAXES

☎ The FCC does not set or collect the federal excise tax on telephone service. Rather, the federal tax applied to local and long distance telephone service is established by the U.S. Congress and is collected by the Internal Revenue Service as part of the general tax revenue of the U.S. Department of Treasury.

☎ The telephone excise tax was enacted by the War Revenue Act of 1898 to provide funding for the Spanish American War. It was initially a luxury tax assessed against those privileged enough to own a telephone. It was reinstated by the Revenue Act of 1932, and has been on the books ever since. The Omnibus Reconciliation Act of 1990 made the tax permanent at a rate of 3 percent. The Taxpayer Relief Act of 1997 extended the tax to prepaid telephone cards.

☎ Telephone companies collect the excise tax for the IRS. However, telephone customers are liable for paying the tax. If a new telephone company fails to collect the telephone excise tax in its billing, its customers may receive a bill from the IRS for taxes due.

### ☎ STATE TAXES

☎ State and local governments assess this charge in different ways and at different rates. Proceeds go to the local governing body. It can be imposed on the revenues of local telephone companies and long distance companies operating within a state. Although these taxes vary by your location, they are the same for all providers serving the area. To obtain information about the state and local taxes on your telephone bill, contact your local and state tax offices.

### ☎ FRANCHISE CHARGE

☎ This fee is imposed on local phone companies by most municipalities as payment for the companies' right to place telephone poles and wires along streets and other rights-of-way. Cities may charge the local phone company up to 7 percent, and most do. Four percent is included in phone companies' general rates. The remaining balance appears on customers' bills who live inside the city limits.

## LONG DISTANCE FEES AND CHARGES

### ☎ FEDERAL UNIVERSAL SERVICE CHARGE

☎ Just like local companies, long distance companies charge a fee or percentage of your telephone bill to recover their contributions to the Universal Service Fund. This funding mechanism is called the Universal Connectivity Charge by AT&T, the Federal Universal Service Fee by MCI and the Universal Service Carrier Charge by Sprint.

### ☎ PAYPHONE USAGE FEE

☎ Calls placed from a pay phone are subject to a surcharge of up to 30¢ per call to recover fees charged to carriers to compensate pay phone operators for the use of their equipment.

### ☎ CALLING CARD MINIMUM USAGE FEE

☎ A fee charged by some carriers if your specific rate plan has a volume requirement. For example, if your plan requires you to make at least \$5.00 a month worth of telephone calls and you do not, the carrier will charge you the difference as a fee. If your plan requires a \$5.00 per month fee and you make only \$2.50 of calls, you would see the remaining \$2.50 as a monthly charge. This fee is different from the Monthly Service Charge assessed on your bill.

### ☎ BILL STATEMENT FEE

☎ A monthly fee assessed by some long distance companies against consumers that receive their long distance bill with their local telephone company bill. Consumers can circumvent this fee by receiving a separate bill directly from their long distance carrier or paying their bill online. Call your long distance company for more options and information.