

CONSUMER ALERT

A Publication Of the South Carolina Department of Consumer Affairs

Philip S. Porter, Administrator/Consumer Advocate

Does South Carolina Need a Universal Service Fund?

Through technological innovation, our world that heavily relies on telecommunications is continuously advancing. From Alexander Graham Bell's invention of the telephone in 1876 to cellular phones to choosing a long distance carrier, many advancements in telecommunications have come and gone. With such advancements controversies arise, however.

"Universal Telephone Service" is a concept that was first promoted by Congress and adopted into federal law in the Telecommunications Act of 1934. Then, in the Telecommunications Act of 1996, Congress made explicit the mandate of universal service. Congress recognized that universal service is an evolving concept and required periodic review of what would be included under universal service. They understood that the telephone system and usage of the telephone had changed and would continue to change and so should universal service.

When Congress passed the Telecommunications Act of 1996, it was attempting to do a couple of different things, which were not necessarily compatible. First, it wanted to introduce competition into the local portion of the telephone

business. Customers would be able to have a choice of local company like the choice they have been able to make for a long distance carrier. Second, it wanted to preserve universal service, and expand that to include internet access for all schools and libraries. After the federal act passed, South Carolina also passed a law in 1996 calling for a state universal service fund.

The fallout of these pieces of legislation has resulted in a complex re-examination of how telephone rates are set at both state and federal level.

In South Carolina, currently, there is a controversy over the Universal Service Fund. South Carolina state law defines universal service as "the providing of basic local exchange telephone service at affordable rates, upon request, to all residential and single-line business customers within a defined service area."

According to Philip Porter, Administrator of the South Carolina Department of Consumer Affairs, "the Universal Service Fund is *supposedly* needed because of the coming of competition. BellSouth and other local companies, who are required to provide service to anyone who applies, believe that competition will take away their most important and their most profitable customers. They have been predicting their financial ruin and rising local rates due to competition for more than 10 years. It has not happened. AT&T made similar predictions 20 years ago. Today, even with actual competition for long distance, AT&T

revenues are stronger than ever. The same is true for local companies, despite the claims of incursions from competitors."

The question that must be answered is whether competition eroded the revenues of the incumbent monopoly companies to such a degree that customers should pay extra fees that go into a fund that protects their profits.

In the future, local companies may very well need the Universal Service Fund. However, at this moment in time there is no evident reason that it is necessary. The South Carolina Department of Consumer Affairs is determined to protect affordable rates for all customers. According to Porter, the South Carolina Department of Consumer Affairs has urged the Public Service Commission (PSC) to conduct the detailed investigations necessary to look at each company's books to determine its costs and the extent to which competition has affected its ability to provide affordable service.

In addition, the South Carolina Department of Consumer Affairs has filed complaints to investigate the rates and earnings of every local company, so that companies earning more than a fair return will not use the Universal Service Fund to support excess earnings, explained Porter.

At this time, there is no clear answer as to whether a Universal Service Fund is needed in South Carolina. Moreover, the South Carolina Department of Consumer Affairs' mission is to protect, educate and represent consumers in a challenging and ever changing economy.

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Consumer Education:

Teachers please discuss this concept with your students!

How do layaways work?

Layaways are different from credit purchases. When you buy on credit, you take the merchandise before you pay. When you use a layaway plan, you pay in full through installments before getting the merchandise.

The terms of layaway plans vary from store to store. With the usual plan, you make a deposit, usually a percentage of the purchase price, and pay over a period of time until you have paid for the item in full. In exchange, the retailer agrees to hold your selection during that time

What else should I know about layaways?

Remember, until you finish paying for the layaway item, the retailer has your money and the merchandise. If the store goes bankrupt while you are still paying, your money and the merchandise may be lost. To help avoid this, and to find out if there are any complaints against the store, check the store's reputation with your local consumer protection agency before you buy merchandise on layaway.

Also, keep good records of payments you make on layaway merchandise.

To Request Free Educational Materials or Arrange for a Speaker Contact:
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Consumer education should start now!

Facts for Consumers:

Layaway Purchase Plans *Fast Facts:*

- * When you use a layaway plan, you pay in full through installments before getting the merchandise.
- * Ask the seller how much time you will have to pay for the item; when payments are due; what minimum payment is required; and what charges if any, are added to the purchase price.
- * Ask the seller to identify the store's refund policy before you buy. If possible, get it in writing.
- * Ask the seller to identify your merchandise in writing to ensure that you will receive the exact item you are purchasing.
- * Keep a record of your payments.

CONSUMER SERVICES DIVISION OF THE SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS

The Consumer Services Division of the South Carolina Department of Consumer Affairs provides advice and information about consumer's rights and responsibilities, provides information as to appropriate business practices, and information as to complaint records of business. Attempts to resolve written complaints involving goods or services purchased for home, family or personal use. Refers

complaints to other state or federal agencies as appropriate. Monitors complaints for violations of state and federal statutes for unfair or deceptive business practices, and consults the Legal Division of the South Carolina Department of Consumer Affairs as appropriate. William Maree is the Director of Consumer Services and can be reached at (803) 734-4214.

Complaint Summary: August 2000

Telephone Complaint Summary:

Total Services Provided: 4,182
Total Telephone Calls: 4,387
Customer Assistance Calls: 2,866
Referred to Other Agencies: 664
Public Information Requests: 652



Complaints Closed:

Satisfied	261	76.70%
Unsatisfied	42	12.40%
Undetermined	27	7.90%
Abandoned	8	2.40%
Insufficient Merit	2	0.60%
Total:		100.00%

Written Complaint Summary:

New Complaints	533
Closed Complaints	473
Walk-in Complaints	28



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