

Wireless Device Freedom

Problem: Wireless companies are raising rates, trapping customers with termination penalties, and obfuscating fees and conditions of contracts. Consumers who want to use specific types of cell phones are forced to choose service providers that might not have the best quality of service in their area. Consumers have little power to negotiate or shop around when choosing a wireless service plan.

Action Requested: Congress has held hearings and introduced legislation on issues that would improve the consumer wireless experience. The Federal Communications Commission (FCC) is also investigating expensive early termination fees (ETFs). Congress and the FCC need to move forward with legislation or regulations that curb wireless companies' most unfair and expensive practices.

Why It Matters:

Congress and the FCC need to act on a number of unfair practices that harm consumers including:

- **Early Termination Fees.** Wireless carriers have been using ETFs to limit consumer choice and punish subscribers in search of competition for years. A recent survey of *Consumer Reports* readers found 17 percent wanted to switch providers, but didn't because of early termination fees. Recent moves by Verizon Wireless to raise ETF's to over \$300 for consumers who use smartphones has drawn the attention of Congress. **The Cell Phone ETF Act, by Senator Klobuchar, would require wireless carriers to prorate ETFs over the term of a subscriber's contract and link the fee to the cost of the phone itself.** Recently, the FCC sent letters to four major wireless providers to gather information about consumers' experiences with ETFs
- **Handset Exclusivity.** Handset exclusivity deals—the ubiquitous agreements between cell phone manufacturers and wireless carriers that limit certain phones to only one carrier—thwart competition, discourage innovation, and lead to higher prices. **Of the ten most popular handsets on the market in 2008, eight were shackled to a single wireless service provider such as AT&T or Verizon through exclusive deals.** These exclusivity deals should be eliminated and consumers should be able to choose phones and carriers independently of each other. Consumers Union testified on handset exclusivity at a congressional hearing last year. Congress and the FCC are looking into the effect they have on the wireless marketplace and Consumers Union is pushing to have these exclusivity agreements banned.
- **Text Message Rates.** Despite the relatively small amount of data contained in a text message, the costs of sending one have climbed steadily over the last decade. Six hundred text messages contain less data than one minute of a phone call; at the current standard of twenty cents per text, those **six hundred text messages would cost \$120 for the data equivalent of a one-minute call.** More troubling is that wireless carriers have raised their text message rates within months of each other, eliminating consumers' options for reasonably priced service plans. Consumers Union testified at a Congressional hearing on text message rates last year and urged Congress to investigate the price increases.
- **Truth in Billing.** Consumers can experience substantial confusion and frustration when choosing a wireless service provider and plan because providers are not required to supply fundamental information needed by consumers to make informed decisions. Consumers Union and other groups have urged the FCC to adopt protective and enforceable advertising and point-of-sale disclosure standards and truth-in-billing rules. Currently the FCC has opened a rule-making to study ways to deal with “bill-shock”, which is what consumers experience when they receive a monthly bill hundreds or thousands of dollars more expensive than they expected. **Such rules should require that service providers clearly and consistently disclose charges for going over text, voice or data usage limits, and send updates to subscribers when they are approaching their limits.**

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