In the Matter of MINIMUM RATE PRICING, INC. 

ORDER ADOPTING CONSENT DECREE

Adopted: December 17, 1998 Released: December 17, 1998

By the Chief, Common Carrier Bureau

1. After receiving and investigating numerous consumer complaints, the Common Carrier Bureau (Bureau) of the Federal Communications Commission issued a Notice of Apparent Liability for Forfeiture (NAL) against the carrier, Minimum Rate Pricing, Inc. (MRP) on October 31, 1997.\(^1\) The Bureau preliminarily determined that MRP\(^2\) had apparently violated Commission rules and orders by changing two complainants' designated preferred interexchange carrier (PIC) for interstate service without the complainants' authorization, as described in the NAL. The Bureau further determined in the NAL that, after the complainants discovered the unauthorized conversions and effected a return to their preferred carriers, MRP took actions to switch them back to MRP, based upon automatic switch-back provisions contained in MRP's Tariff F.C.C. No. 3. After reviewing the facts and circumstances surrounding the alleged violations, the Bureau


\(^2\) MRP is a New Jersey Corporation engaged in the business of reselling long distance telephone service. MRP's principal place of business is 300 Broad Acres Drive, P.O. Box 8000, Bloomfield, New Jersey 07003.
found MRP apparently liable for a forfeiture in the amount of eighty thousand dollars ($80,000) for apparent violations of the Commission's rules and orders.3

2. As a result of continued consumer complaints against MRP,4 the Enforcement Division of the Common Carrier Bureau expanded its investigation into additional issues related to MRP's marketing and PIC-change practices. The Bureau and MRP thereafter entered into negotiations concerning the matters alleged in the NAL and MRP's marketing and PIC-change practices. As a result of these negotiations, the Bureau and MRP hereby enter into the attached Consent Decree terminating the Commission's investigation. The terms and conditions are incorporated herein by reference.

3. We have evaluated the circumstances of this matter and find that approval of the attached Consent Decree serves the public interest. Pursuant to the terms of the Consent Decree, MRP will make voluntary payments to the United States Treasury in the total of one million, two hundred thousand dollars ($1,200,000). In addition, MRP will not conduct outbound telemarketing of its services prior to January 1, 1999. MRP has represented to the Commission that it has ceased all outbound marketing activities, beginning July 30, 1998, pending the resolution of the Commission's investigation of MRP's marketing and PIC-change practices. If MRP elects to re-initiate the outbound marketing of its services, MRP agrees that it will only do so under the strict terms of the Consent Decree. Furthermore, the Consent Decree provides for the strict monitoring of MRP's activities, and in the event MRP violates the terms or conditions of the attached Consent Decree, or any other Commission rule or policy, the Consent Decree states that such violation will serve as grounds for an immediate hearing to address whether it serves the public convenience and necessity for MRP, its principals, successors, or assigns, to operate as common carriers or provide future service without Commission authorization.

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4 Between October 1, 1997 through September 30, 1998, the Consumer Protection Branch processed 1,299 consumer complaints alleging violations of Commission rules by MRP.
4. Accordingly, IT IS ORDERED, pursuant to Section 4(i) of the Communications Act, 47 U.S.C. § 154(i), and the authority delegated in Sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91 and 0.291, that the attached Consent Decree is hereby ADOPTED and that the above-captioned proceeding is thereby terminated consistent with the terms of the Consent Decree.

5. IT IS FURTHER ORDERED that the Division Chief, Enforcement Division SHALL SIGN the Consent Decree on behalf of the Common Carrier Bureau of the Federal Communications Commission.

FEDERAL COMMUNICATIONS COMMISSION

Lawrence E. Strickling
Chief
Common Carrier Bureau
Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of )
) File No. ENF 97-008
MINIMUM RATE PRICING, INC. ) NAL/Acct. No. 816EF0001

CONSENT DECREE

1. The Common Carrier Bureau (Bureau) of the Federal Communications Commission and Minimum Rate Pricing, Inc. (MRP) hereby enter into a Consent Decree terminating an investigation by the Commission into MRP's alleged violations of the Commission's policies and rules concerning preferred interexchange carrier (PIC) conversions.  

2. On October 31, 1997, the Bureau issued to MRP a Notice of Apparent Liability for Forfeiture (NAL). The Bureau determined that MRP had apparently violated Commission rules and orders by changing the PIC for interstate service designated by two complainants without their authorization, as described in the NAL. The Bureau further determined that, after the complainants discovered the unauthorized conversions and effected a return to their preferred carriers, MRP took actions to switch them back to MRP without their specific authorization, based upon automatic switch-back provisions contained in MRP's Tariff F.C.C. No. 3. After reviewing the facts and circumstances surrounding the alleged violations, the Bureau found MRP

1 MRP is a New Jersey Corporation engaged in the business of reselling long distance telephone service. MRP's principal place of business is 300 Broad Acres Drive, P.O. Box 8000, Bloomfield, New Jersey 07003.


apparently liable for a forfeiture in the amount of eighty thousand dollars ($80,000) for apparent violations of the Commission's rules and orders. The Bureau and MRP thereafter entered into negotiations concerning the matters alleged in the NAL and other issues related to the marketing by MRP directly or through its telemarketers and PIC-change practices of MRP. As a result of such negotiations, the Bureau and MRP agreed to terminate this investigation pursuant to the terms and conditions set forth herein. MRP specifically agrees to abide by the provisions and obligations established by this Consent Decree in consideration of the Commission's commitment not to pursue further enforcement remedies, including forfeiture, for any acts taken prior to the effective date of this Consent Decree.

3. DEFINITIONS: For the purposes of this Consent Decree, the following definitions apply:

(a) "Commission" means the Federal Communications Commission;

(b) "Bureau" means the Common Carrier Bureau of the Federal Communications Commission;

(c) "MRP" means Minimum Rate Pricing, Inc., and all parents, subsidiaries, divisions, successors or assigns, officers, directors, employees, agents, representatives, or any other persons acting or purporting to act on behalf of MRP, or its successors or assigns.

(d) "Parties" mean MRP and the Bureau;

(e) "Order" means the Order of the Federal Communications Commission adopting the terms and conditions of this Consent Decree;

(f) "PIC" means preferred interexchange carrier;

(g) "PIC change" means a change of a customer's PIC executed by a local exchange carrier ("LEC");

(h) "PIC-change request" is an order or request transmitted by an interexchange carrier ("IXC") to a LEC requesting a PIC change;

(i) "Unauthorized conversion" means a PIC change that was not authorized by the consumer, or a PIC change that was the result of a false, misleading, or deceptive representation by MRP, directly or through its telemarketers.

(j) "Letter of Agency" or "LOA" means a written authorization signed by the customer and submitted to the IXC or the IXC's designated agent authorizing the LEC to implement a PIC change to a specific IXC, as
contemplated in Sections 64.1100 and 64.1150 of the Commission's rules, 47 C.F.R. §§ 64.1100, 64.1150;

(k) "Informal Complaint" or "Consumer Complaint" means a complaint filed with or forwarded to the Federal Communications Commission by or on behalf of a consumer.

(l) "Switch-Back Provision" means any provision in a tariff, such as the provision described in MRP's Tariff FCC No. 3, which allows MRP to switch a customer's designated PIC for interstate service back to MRP once the customer has effected a return to its preferred carrier.

(m) "Telephone Service" means any long distance service, interLATA or intraLATA toll service, or any other telecommunications service.

(n) "Outbound Telemarketing" means any phone call to a consumer marketing MRP's services that is originated by MRP or its agents and that is not originated by the consumer.

4. JURISDICTION: MRP admits that the Commission has jurisdiction over it and the subject matter of this action.

5. PURPOSE: The Parties agree that this Consent Decree is for settlement purposes and that MRP does not admit any alleged violation or liability for the specific acts described in the NAL or for any specific acts not described in the NAL.

6. INCORPORATION: The parties agree that the provisions of this Consent Decree shall be subject to final approval by the Bureau. MRP agrees that upon its signing and the signing by the Bureau, the provisions of this Consent Decree shall be incorporated by reference in the Order, defined in subparagraph 2(e) above, formally adopting this Consent Decree, and that adoption of such Order by the Bureau shall terminate the captioned proceeding.

7. WAIVER: MRP waives any rights, whatsoever, that it may have to seek judicial review or otherwise challenge or contest the validity of the Order, described in subparagraph 2(e), or of this Consent Decree. MRP does not waive its right to proceed against its telemarketers in any lawsuit to recover damages for acts of said telemarketers.


9. TERMS: In consideration for the termination by the Commission of the investigation described herein, and in accordance with the terms of this Consent Decree, MRP agrees to the following terms, conditions, and procedures:
(a) STATE SETTLEMENT: MRP shall comply with the requirements, which are not inconsistent with the requirements set forth in this Consent Decree, contained in the settlement MRP and numerous states signed on October 23, 1998.

(b) DISCLOSURE: Prior to the change of any consumer's telephone service, MRP shall ensure that it has clearly and conspicuously disclosed: (i) that the purpose of the solicitation is to offer telephone service for sale; (ii) that the purpose of the solicitation is to persuade the consumer to change his or her telephone service, to MRP from the current provider; (iii) that MRP is a company engaged in providing telephone service, precisely long distance, interLATA or intraLATA toll, or other telecommunications services as applicable; (iv) the identity of the sales person; (v) that MRP is a telephone service company not affiliated with the customer's present telephone service company, except as provided in subparagraph 9(i); and (vi) that the consumer's express authorization is required in order for MRP to request the LEC to change the consumer's telephone service to MRP from the consumer's current service provider. In addition, MRP shall clearly disclose at the beginning of any and every method used to verify a customer's agreement to change its telephone service to MRP that a customer's telephone service will be changed from the current carrier to MRP if the consumer authorizes a switch.

(c) RECURRING FEES: In the event that MRP assesses its customers a recurring service fee, monthly service fee, or similar charge, no such fee or charge shall be assessed on any person for any period of time after such person terminates service with MRP. This requirement applies regardless of whether such person provided advanced notice to MRP of its decision to cancel MRP's service. Notwithstanding the foregoing, MRP shall not be required to prorate monthly recurring fees or service fees for the month in which service is terminated.

(d) TERMS AND CONDITIONS OF OFFER: MRP shall disclose to a prospective customer all material terms and conditions of its offer, including but not limited to any limitations and restrictions related to MRP's offer, such as minimum time, time of day requirements for discounts, or minimum usage requirements.

(e) SWITCH-BACK PROVISIONS: MRP shall not put into effect any automatic switch-back provision or any practice that requires the consumer to contact MRP to change to another service provider.
(f) USE OF COMMISSION/STATE AGENCY NAMES: MRP shall ensure that no marketing of MRP's service will expressly state or infer that MRP's rates are approved by or dictated by the Federal Communications Commission or any other federal or state agency, provided however that MRP may respond, as is appropriate, to any consumer inquiry regarding whether MRP's tariffs are on file with the Commission or state agency. MRP shall not expressly state or infer that the Commission has approved any marketing or verification scripts. In the event MRP uses the name of the Commission or other governmental entity in the course of a solicitation or verification, MRP shall at the same time clearly disclose that the Commission or such governmental entity has not approved or endorsed the offer.

(g) REPRESENTATION OF RATES: MRP shall not represent, expressly or by implication, that a particular service is available at a rate that is less than the rate a particular subscriber is paying to his or her current carrier for such service unless MRP first ascertains the subscriber's plan with his or her current carrier and has a reasonable basis to make such representation. In the event the customer is unable to provide sufficient information from which MRP would be reasonably able to make such specific comparison, then MRP may only compare its rates with the basic rates of the consumer's current carrier, and if the consumer is unable or unwilling to provide the name of the presubscribed carrier, MRP shall represent its applicable rate and may make a comparison between such rate and a specifically identified prevailing rate for the same service offered by an identified long distance carrier.

(h) COMPARISON OF CARRIER RATES: MRP shall not represent, expressly or by implication, that the offered rate for its telephone service is a specific percentage off the basic rates of any other carrier's telephone services, unless such is the case and MRP has evidence to substantiate such a claim. In addition, MRP shall not represent, expressly or by implication, that the amount to be charged by MRP for a toll call is determined on a periodic basis by comparing the charge with what AT&T, Sprint, MCI, or any other telecommunications service provider would charge for the same call and using the lowest rate as the basis to determine the cost of the particular toll call, unless such is the case and MRP has evidence to substantiate such a claim.

(i) FACILITIES REPRESENTATION: MRP shall not suggest, expressly or by implication, that it is an agent for, or in any way associated with, a facilities-based carrier. This requirement includes, but is not limited to, the prohibition that MRP not represent, expressly or by implication, (i) that
MRP's long distance service uses network facilities of AT&T, MCI, Sprint, or any other carrier; or (ii) that MRP is a facilities-based long distance carrier or part of a facilities-based long distance carrier, unless any such representation is the case and MRP has evidence to substantiate such a claim. Nothing in this provision shall prohibit MRP from clarifying or explaining MRP's reseller relationship with its specific facilities-based carrier. In addition, MRP shall not use the phrase "minimum rate pricing" in close conjunction with AT&T, MCI, Sprint, or other facilities-based carrier unless used for the purpose of differentiating MRP from its competitor.

(j) **EMPLOYEE TRAINING:** Within thirty (30) days of the effective date of this Consent Decree and prior to any outbound telemarketing MRP may conduct, MRP shall send a written advisory to all of its employees, and to any third parties that act as sales representatives for MRP's long distance services, instructing them that a full and accurate disclosure of MRP's services that complies with the requirements in subparagraphs 9(a-i) must be explained to consumers before MRP is able to secure a consumer's authorization to switch to MRP's service. A copy of the written advisory shall be submitted to the Commission within ten (10) days of its distribution. MRP will further require the recipients of such advisories to provide to MRP written acknowledgment and understanding of the advisory within ten (10) days of receipt.

(k) **INCENTIVES:** MRP shall immediately discontinue any and all payments of any kind to any third-party verifier, including salaries and commissions, based upon the number of persons who agree to change long distance providers, provided that nothing herein shall prohibit MRP from implementing penalties or other disincentives in the event that any employee, agent or representative engages in an act or practice that violates the provisions of this Consent Decree, the Commission's regulations, or any law.

(l) **SALES AND MARKETING MATERIALS:** Within thirty (30) days of the effective date of this Consent Decree and prior to any outbound telemarketing MRP may conduct, MRP shall revise and/or supplement any sales or marketing materials, including, but not limited to, telemarketing or sales scripts and training manuals, to conform to the requirements of this order. Copies of such revisions or supplements shall be submitted to the Commission within ten (10) days of their issuance. MRP shall not represent, either expressly or by implication, that such submissions constitute Commission approval of MRP's sales or marketing materials.
(m) **COMPLIANCE WITH COMMISSION RULES:** MRP agrees that it shall not submit to any LEC, or any other entity, any PIC-change request unless MRP has complied with all Commission rules and orders concerning PIC changes in effect, or as they may be hereafter modified or amended.

(n) **"WELCOME PACKAGE:"** MRP shall not use the information package, or "Welcome Package," as described in Section 64.1100(d) of the Commission's rules, to respond to requests solely for information about MRP and its services. MRP shall not use the information package described in Section 64.1100(d) of the Commission's rules to verify a customer's authorization to switch to MRP as their presubscribed long distance carrier.

(o) **INDEPENDENT THIRD PARTY VERIFICATION:** In all outbound telemarketing, MRP shall use an independent third party verifier to verify each and every authorization of a customer to switch to MRP as their preferred long distance carrier as described in Section 64.1100(c) of the Commission's rules and as may be required by any subsequent Commission rules or orders. MRP shall begin one hundred percent (100%) independent third party verification within thirty (30) days of the effective date of this Consent Decree and prior to the initiation of any outbound telemarketing.

(p) **OUTBOUND TELEMARKETING MORATORIUM:** MRP represents to the Commission that it has not engaged in any outbound telemarketing since July 30, 1998. MRP shall not engage in any form of outbound telemarketing of its services prior to January 1, 1999. When and if MRP does conduct any outbound telemarketing after January 1, 1999, MRP will notify the Commission in writing of its intent to engage in outbound telemarketing on such date five (5) days prior to the commencement of such outbound telemarketing. MRP shall also fulfill the requirements of subparagraphs 9(j), 9(l), 9(n), 9(o) prior to initiating any outbound telemarketing in accordance with this subparagraph.

(q) **CUSTOMER SERVICE:** MRP shall maintain an adequate, trained customer service staff to ensure that consumers have easy access to MRP employees or representatives to discuss billing and service matters, and to ensure that all customer complaints and refunds and credits are handled in a prompt and courteous manner. MRP shall set quantitative standards for the "prompt" handling of calls from consumers and shall include these standards in its compliance reports, as described in subparagraph 9(r), and shall monitor such customer calls as appropriate to ensure compliance with those standards.
(r) COMPLIANCE REPORTS: Thirty (30) days after the effective date of this Consent Decree, every thirty (30) days thereafter for the first six (6) months of this Consent Decree, and every one-hundred and eighty (180) days thereafter for the duration of this Consent Decree, MRP agrees to submit a report to the Commission, detailing MRP’s compliance with the terms and conditions of this Consent Decree. Regarding the verification program, the report shall include, at a minimum, the percentage of PIC changes submitted to LECs or other entities and disputed by the consumer, the nature of each dispute, and a description of action or actions taken by MRP to resolve such disputes. The report shall also include a list, sorted by state, of every complainant alleging the unauthorized conversion of his/her telephone service through any marketing program. MRP shall maintain and make available promptly to the Commission business records demonstrating compliance with the terms and provisions of this Consent Decree, including, but not limited to, written consumer complaints filed directly with MRP and those filed in any local, state, or federal jurisdiction served or otherwise submitted to MRP. The record of consumer complaints shall include, if made available to MRP, the name, address and telephone number of each complainant, MRP’s response, and the final disposition, if any, of each such complaint.

(s) MONETARY PAYMENT: MRP shall make a voluntary contribution to the United States Treasury in the amount of one million, two hundred thousand dollars ($1,200,000) as indicated in subparagraph 9(t) below.

(t) INSTALLMENT SECTION: MRP shall pay the amount set forth in subparagraph 9(s) in eighteen (18) installments of at least sixty-six thousand, six hundred and sixty-six dollars and sixty-six cents ($66,666.66) with the first payment of sixty-six thousand, six hundred and seventy-eight cents ($66,666.78) due upon the effective date of this Consent Decree, as described in paragraph 18, with consecutive payments made every thirty (30) days thereafter. The total payment of one million, two hundred thousand dollars ($1,200,000) is to be paid in full within eighteen (18) months of the effective date of this Consent Decree. Failure to make two consecutive payments will constitute a material violation of this Consent Decree. Payments should be paid by check or money order drawn to the order of the Federal Communications Commission. Reference should be made on the check or money order to "NAL/Acct No. 816EF0001." Such remittances must be mailed to: Forfeiture Collection Section, Finance Branch, Federal Communications Commission, P.O. Box 73482, Chicago, Ill. 60673-7482.
(u) ACCESS TO FACILITIES: MRP agrees that upon request, the Commission will have access to MRP's telemarketing and verification facilities.

(v) NOTICE OF CORPORATE CHANGES: In the event that MRP dissolves, reorganizes, or operates as another corporate entity or under a different corporate name, or in any way changes its current corporate structure, MRP shall notify the Commission of such a change in writing within five (5) days after such occurrence.

10. FUTURE VIOLATIONS: Any material violation of the Consent Decree, or future violation of any other Commission rule or policy not covered by the Consent Decree, shall be considered grounds for the Commission to initiate immediately a license revocation hearing addressing whether it serves the public convenience and necessity for MRP, its principals, successors, or assigns, to operate as common carriers or to provide future service without Commission authorization.

11. COMMISSION REPRESENTATION: Notwithstanding the full disclosure required of MRP by this Consent Decree, the parties agree that the Commission is not endorsing the terms and conditions of MRP's tariff or its practices, and adoption of this Consent Decree may not be construed as Commission approval of MRP's tariff or its practices.

12. FUTURE COMMISSION ACTIONS: No enforcement proceedings against MRP based on informal complaints concerning unauthorized PIC changes arising out of activities of MRP or its sales representatives occurring prior to the effective date of this Consent Decree, as described in paragraph 18, shall be instituted. Consumer complaints concerning MRP's practices or the practices of its sales representatives occurring before the effective date of this Consent Decree, will be served on MRP under the procedures and rules governing such complaints and MRP agrees to resolve these complaints to the extent required by the Communications Act, the Commission's rules and regulations, and the terms of this Consent Decree. Except to the extent agreed to herein, nothing in this Consent Decree shall prevent the Commission from adjudicating complaints filed against MRP for alleged future misconduct, or from instituting new investigations or enforcement proceedings against MRP in the event of alleged future misconduct. If such an enforcement proceeding is initiated, MRP's earlier conduct may be adduced, but not for the purpose of assessing monetary forfeitures.

13. DURATION: The Parties agree that the terms and conditions of this Consent Decree shall remain in effect for three (3) years from the effective date of the Order described in paragraph 18.

14. SEPARATE VIOLATION: The parties agree that any violation of the Order or of this Consent Decree shall constitute a separate violation of a Commission Order, entitling the Commission to execute any and all rights and to seek any and all remedies authorized by law or
the Commission's rules for the enforcement of a Commission Order, including but not limited to forfeiture and revocation of the authority to offer telecommunications service.

15. LIABILITY: In light of the covenants and representations contained in this Consent Decree, and in express reliance thereon, the Bureau agrees that adoption of this Consent Decree shall serve to resolve all allegations that are the subject of the NAL issued in the above-captioned proceeding without any finding of liability on the part of MRP.

16. FINAL SETTLEMENT: The parties agree and acknowledge that this Consent Decree shall constitute a final settlement between MRP and the Commission of the above-captioned NAL proceeding but that this Consent Decree is not dispositive of the rights of any complainant who has filed an informal complaint against MRP and does not resolve those complaints or any matter(s) within the jurisdiction of any other federal agency.

17. EFFECT OF COMMISSION ORDERS: The Parties agree that any provision of the Consent Decree, except for the provisions concerning one hundred percent (100%) independent third party verification, inconsistent with any subsequent rule or order adopted by the Commission, will be superseded by such Commission rule or order.

18. EFFECTIVE DATE: The parties further agree that this Consent Decree shall become effective on the date which the Adopting Order is released by the Common Carrier Bureau. Upon release, the Adopting Order and this Consent Decree shall have the same force and effect as any other order of the Commission.

19. CONSENT AND WAIVER: If the Commission brings an action in United States District Court to enforce the terms of the Order, MRP agrees that it will not contest the validity of the Order, will consent to a judgment incorporating the terms of the Consent Decree, and shall waive its statutory right to a trial de novo.

For: Minimum Rate Pricing, Inc. For: Federal Communications Commission

/s/ Thomas Salzano       /s/ Dorothy T. Attwood
Thomas Salzano Dorothy T. Attwood
Minimum Rate Pricing, Inc. Chief, Enforcement Division

Common Carrier Bureau

December 9, 1998           December 16, 1998
Date                        Date