

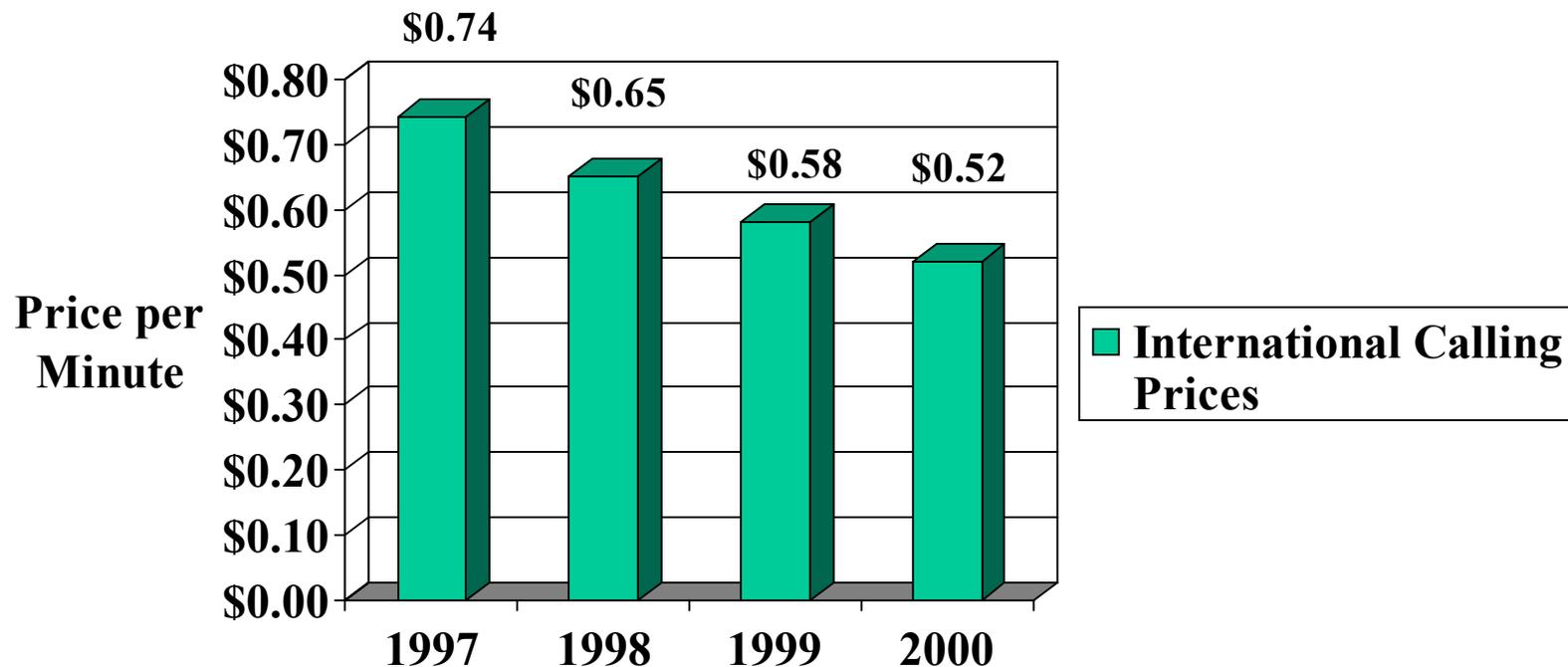
October 11, 2001

Launching the Consumer Education Initiative

**For U.S. International Telephone
Calling**

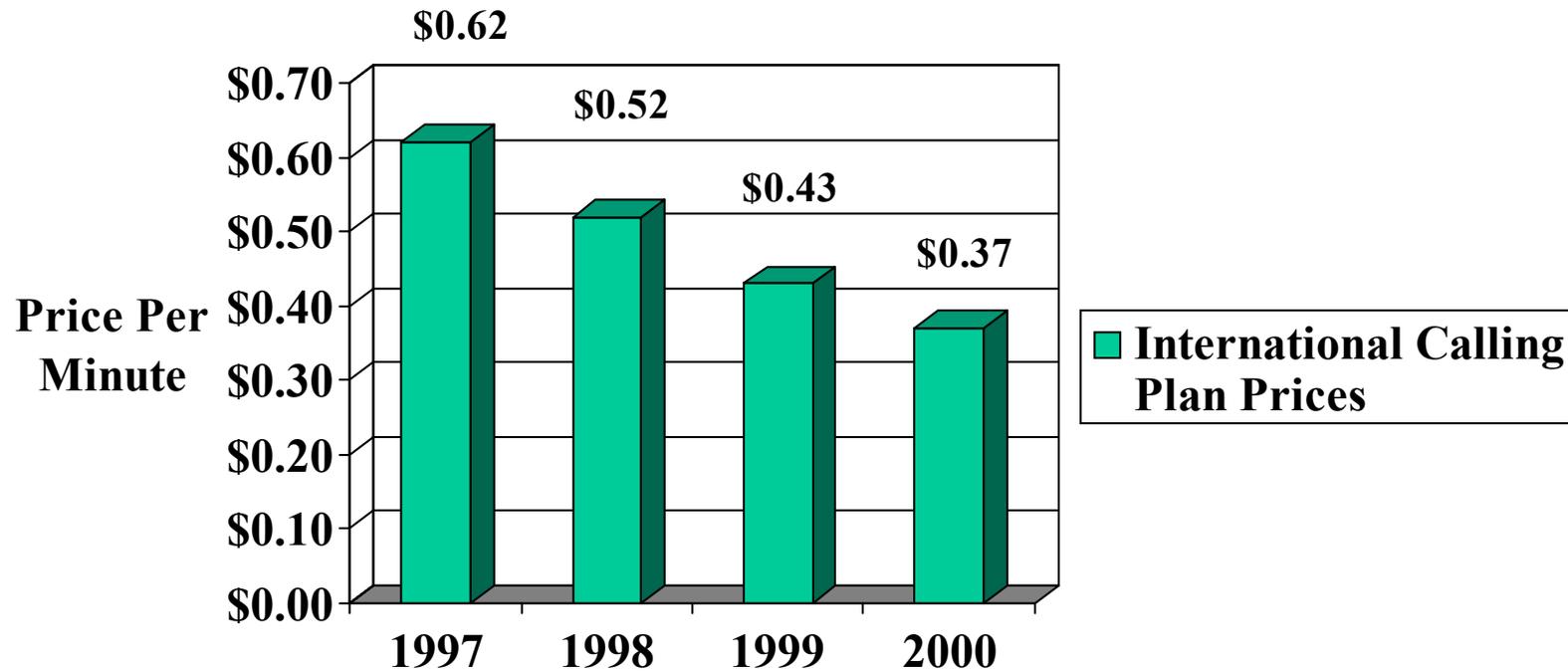
**Consumer Information Bureau, FCC
International Bureau, FCC**

The Average Price of International Calling for Residential Customers is Decreasing



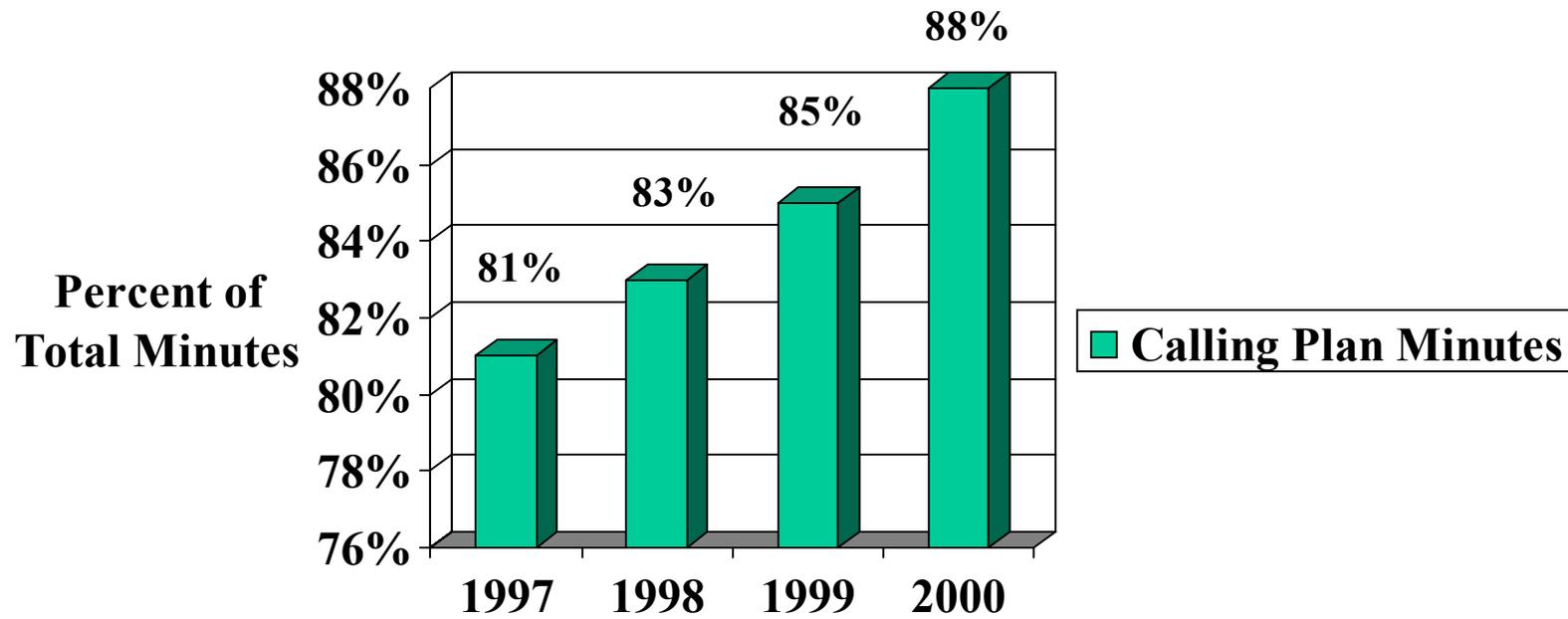
Source: Industry Data. The averages in this chart and following charts are weighted averages of the large U.S. international carriers for all international routes combined. The weighting is by minutes.

The Average Price of International Calling for Residential Customers *Using Calling Plans* is Decreasing



Source: Industry Data

The Popularity of International Calling Plans is Growing



Source: Industry Data

[Click Here for Notes](#)

Basic Rates Greatly Exceed Discount Rates

Example: AT&T from U.S. to France

- Basic Service
 - Day Rate: \$2.29 per minute
 - Night Rate: \$1.46 per minute
- Calling Plan
 - Monthly Fee: \$3.00
 - 24 x 7 Rate: \$0.15 per minute
- Dial Around
 - Connection Fee: \$0.10 per call
 - 24 x 7 Rate: \$0.22 per minute

Source: AT&T website and business office. Calling Plan: One Rate International Value Plan.
Dial Around: “Lucky Dog” (1010-345)

[Click Here for Notes](#)

Basic Rates Greatly Exceed Discount Rates

Example: WorldCom from U.S. to France

- Basic Service
 - 24 x 7 Rate: \$1.99 per minute
- Calling Plan
 - Monthly Fee: \$3.00
 - Weekday Rate: \$0.17 per minute
 - Weekend Rate: \$0.09 per minute
- Dial-Around
 - 1st ten minutes: \$1.99
 - Additional minute: \$0.19 per minute

Source: WorldCom website and business office. Dial-Around is 1010-220

Basic Rates Greatly Exceed Discount Rates

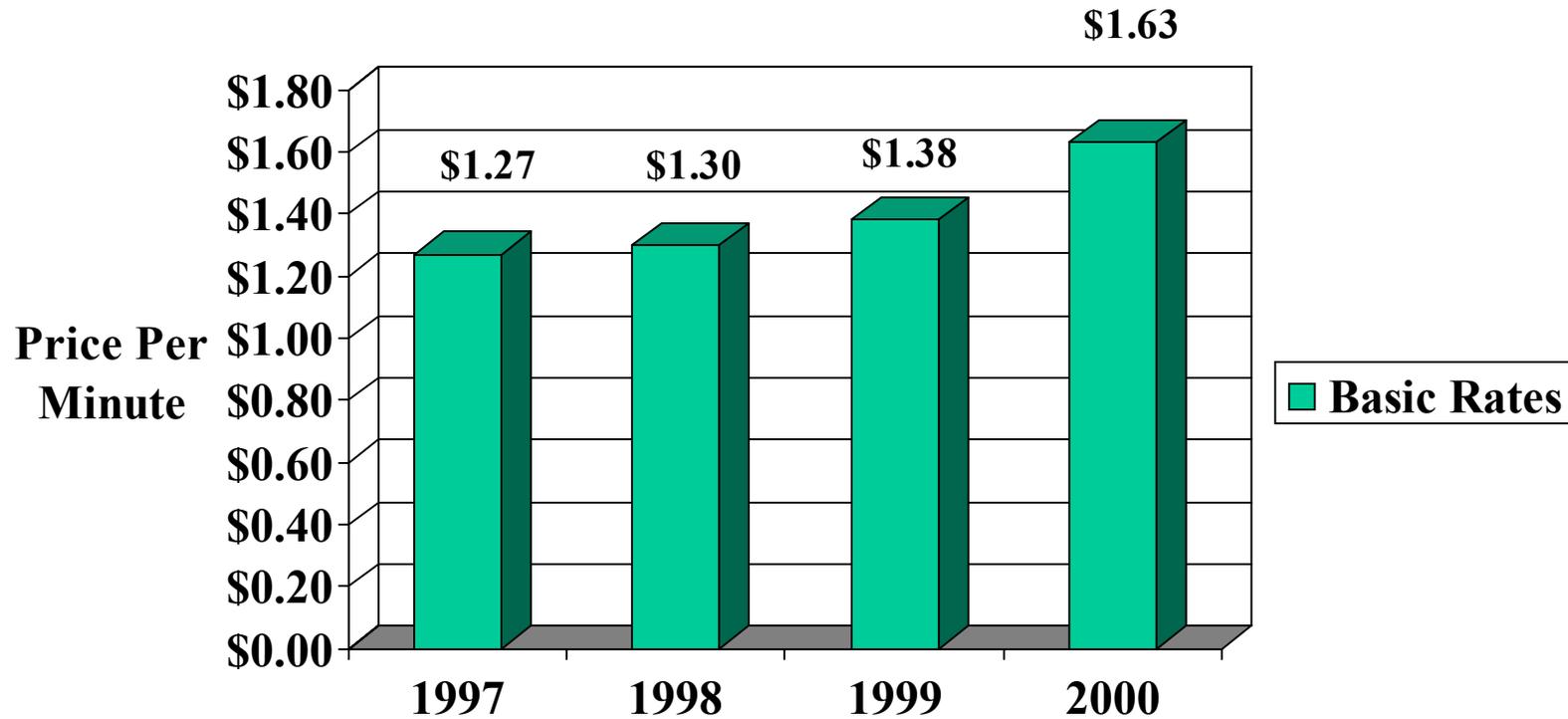
Example: Sprint from U.S. to France

- Basic Service
 - Day Rate: \$3.16 per minute
 - Night & Weekend Rate: \$1.51 per minute
- Calling Plan
 - Monthly Fee: \$5.95 per month
 - If France most called country: \$0.16 per minute
 - Otherwise: \$0.19 per minute
- Dial-Around: None

Source: Sprint website and business office. Calling Plan is Global Family, which includes discounted rates for domestic long-distance service.

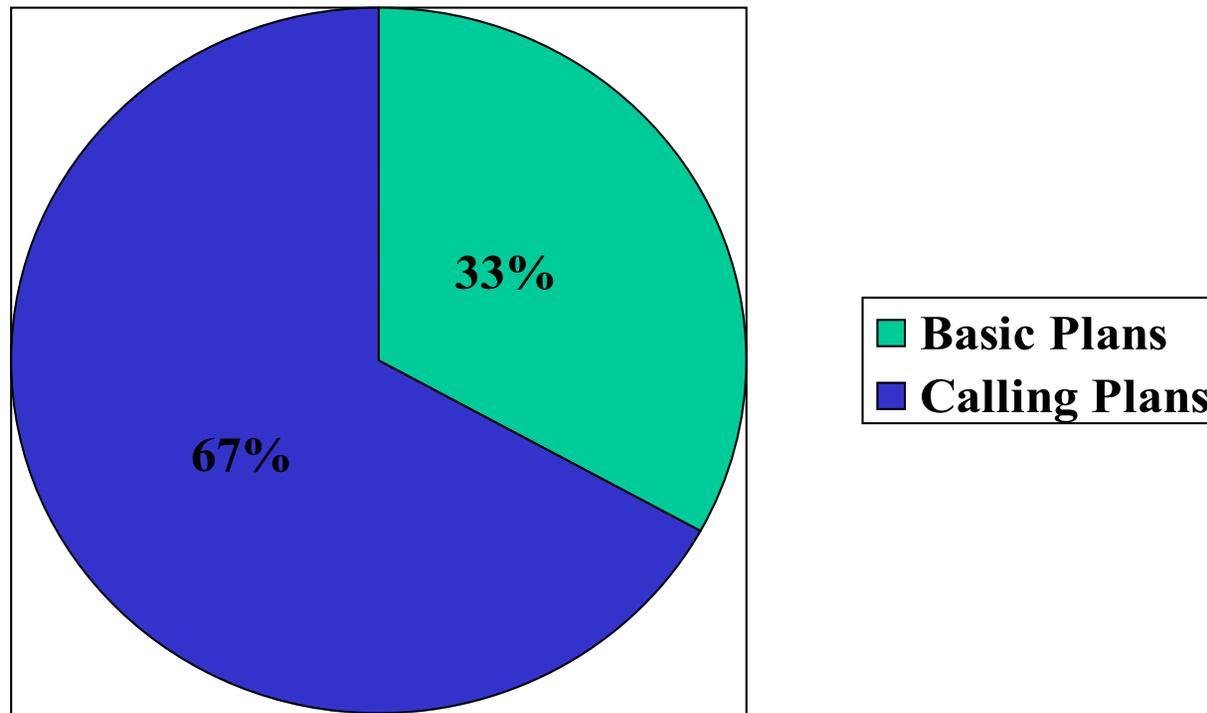
[Click Here for Notes](#)

Basic Rates Are Increasing



Source: Industry Data

Of Households That Used Their Regular Carrier to Make International Calls in a Typical Month, 33 % Paid Basic Rates



Year 2000

Source: Industry Data

[Click Here for Notes](#)

Lack of Knowledge Harms Consumers

- Why are many consumers not responsive to low-priced options available in the marketplace?
- Reasons for lack of consumer responsiveness:
 - Time-consuming to obtain and evaluate rate information
 - Lack of awareness, and customer confusion, over calling options and savings
 - Customer apprehension over unanticipated charges on their monthly bills

An FCC Consumer Education Initiative Can Increase Consumer Awareness

- Ordinary commercial advertising efforts have been helpful in making consumers more aware.
- An FCC Consumer Education Initiative can supplement these efforts by significantly increasing consumer awareness.

International Long-Distance Consumer Education

- Created brochure showing consumers the ways to save on international long distance calling.

International Long-Distance Consumer Education

- How to save?
 - Know your basic rate
 - Use a calling plan
 - Try a pre-paid phone card
 - Look for “dial-around” numbers
 - Find an international callback service
- Get a brochure!

International Long-Distance Consumer Education

- Brochure is available in 13 languages:
- Arabic, English, French, German, Hebrew, Hindi, Japanese, Korean, Russian, Simplified Chinese, Spanish, Tagalog, Vietnamese

International Long-Distance Consumer Education

- Tens of thousands of brochures, in the 13 different languages, are being distributed around the country to hundreds of federal, state, local, military, ethnic and community groups, and through our Consumer Centers.

International Long-Distance Consumer Education

- Produced press release alerting the media to the brochure
- Received coverage in major media markets, including broadcast, cable and print outlets.

International Long-Distance Consumer Education

- Continual distribution of brochures
- Continual outreach to organizations and media outlets, including foreign language media
- Next group of translations include Italian, Polish, Portuguese and Thai

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Introduction by Rod Porter prior to projection of powerpoint presentation:
As the International Bureau showed in our presentation at the July meeting, competition in the provision of U.S. international services has given consumers access to the lowest rates in history. The news, however, is not uniformly good. This presentation highlights an issue with international calling prices. Not all consumers have taken advantage of inexpensive calling options, and many are paying rates that are higher than at any time in the last ten years. Moreover, consumers often are not aware of their service options or are confused by them. I would like to now turn to Mark Uretsky, of the International Bureau to discuss international calling prices in more detail.

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As we noted in the presentation at the July meeting, the average price of international calling from the United States has been falling. The statistics that we presented in July applied to residential and business customers combined. In this presentation, we focus on the specific case of residential customers. Average prices are falling for them too, as displayed in this chart. Please note that the averages in this chart and following charts are weighted averages of the large U.S. international carriers for all international routes combined, and the weighting is by minutes.

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The average price of international calling from the United States is decreasing due to the availability and affordability of calling plans. Calling plans are agreements between carriers and customers which provide discounts on international calls in exchange for a monthly fee. As this slide shows, calling plan rates, which are already heavily discounted, are becoming even less expensive. Please note that the average prices in this chart include the monthly fees.

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Consumer use of international calling plans is increasing as consumers become more aware of calling plan savings. The use of these plans is helping to drive down the average price of an international call. Even though average prices are decreasing significantly and many consumers are switching to calling plans, the rates paid by many consumers remain high, as the following examples show..

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As you can see, rates on the same route vary widely by pricing option. Unless customers elect otherwise, they default to the basic rate. In this example, the daytime basic rate is \$2.29 per minute. Compare that to the calling plan rate of \$0.15 per minute (with a small monthly charge) and to the dial-around rate of \$0.22 per minute (with no monthly charge and a small per call connection fee). Dial-around is a method of long-distance calling in which a customer chooses a provider other than his or her regular carrier, by dialing a 1010-XXX access code. As you can see, there is considerable disparity between basic rates on one hand, and calling plan and dial-around rates, on the other. In this example, a ten minute daytime call using dial-around could result in a savings of about \$20 over basic rates. We picked France as an example of typical popular route. This slide illustrates another point. All consumers, whether high volume users, or occasional callers, have an alternative to basic rates. An occasional caller can use dial-around and get a low rate without paying a monthly fee. Relatively inexpensive pre-paid calling cards are also available.

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This is another example which illustrates the same points. Here the basic rate is \$1.99 per minute, while the dial-around rate is \$1.99 for the first ten minutes..

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Here is a final example which illustrates the same points. Please note that many companies other than AT&T, WorldCom, and Sprint offer calling plans, and dial-around service.

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For those customers who default to basic rates, rates are higher than at any time in the last ten years. Basic rates have gone up about 60 percent over the last ten years, and they continue to increase, as this slide shows.

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A significant number of households that make international calls pay basic rates. In fact, of households that used their regular carrier to make an international call in a typical month, 33 percent (or one-third) of these households, paid basic rates. Also, basic rates account for a large portion of carriers' international revenue. Fully 37 percent of carriers' revenue from direct dialed international service is from basic rates customers. To summarize so far, like a *Tale of Two Cities*, it is the best of times and the worst of times. It is the best of times because discounted international calling is available to every consumer, regardless of calling volume, and because discounted prices are lower than ever before. It is the worst of times, however, because many consumers default to basic rates, thus paying rates that are higher than at any time in the recent past.

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Why are so many American consumers still taking service under basic rates, while calling plans, dial-around and pre-paid cards are available? Why haven't they taken advantage of lower rates? For some callers, it may simply not be worth the time to learn about the availability of calling plans, dial-around, and prepaid calling cards. But picking a good calling strategy is not that difficult. We believe that the central problem is the lack of consumer knowledge. There is lack of awareness about the availability of discount calling options, and there is a great deal of confusion about them. There is also a lack of awareness of the large amount of savings available under discount options. In addition, consumers may be reluctant to try out new services or service providers due to concerns about the appearance of unanticipated charges on their monthly bill.

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Ordinary commercial advertising by the long-distance carriers has had considerable success in making consumers more aware, as illustrated by the increasing number of consumers shifting to calling plans. It is also apparent, however, from the large number of basic rate customers that remain, that advertising is not the whole answer. The FCC can also play an important role in increasing consumer awareness. To describe our efforts to better educate consumers, I would like to turn to Janice Wise, of the Consumer Information Bureau.

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Thank you, Mark. Good morning, Mr. Chairman and Commissioners. The Consumer Information Bureau has begun a major outreach effort to educate consumers on how to save money when making an international long distance phone call.

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The focal point of this initiative is the “International Long Distance Calling Brochure,” which provides instructions on how to place an international call, gives details on callback plans, dial-arounds, pre-paid cards, and international callback services -- all the options Mark just mentioned -- as well as offers money saving tips for selecting an international long distance service.

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To make sure this information reaches as broad a consumer base as possible, the brochure is available in 13 languages: Arabic, English, French, German, Hebrew, Hindi, Japanese, Korean, Simplified Chinese, Russian, Spanish, Tagalog and Vietnamese. We chose these languages based on recommendations from consumer organizations, a review of the languages long distance companies use in their own outreach efforts, as well as what translations other government agencies provide.

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Tens of thousands of the brochures are now in the process of being distributed. We have coordinated with many organizations to get them into the hands of consumers, including the Army, Air Force and Navy, who will be sending the brochures to their Family Service Centers throughout the world. On the U.S. side, brochures are being distributed to consumers with the assistance of the Consumer/Disability Advisory Committee, the Local State Governmental Affairs Committee, State Consumer Affairs offices, disaster relief organizations, consumer groups and Embassies, just to name a few. The brochures are also available on our Web site -- with the English version in disability accessible formats -- and through our Consumer Centers.

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As far as media outreach, we have launched a campaign to draw attention to the brochure and have already received coverage in major media markets. It has also been featured on “Of Consuming Interest,” a nationally syndicated radio show.

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As we move forward, we will continue to do outreach to federal, state, local, ethnic and community organizations to ensure an even broader distribution of the important information contained in the brochure. We will also continue to translate the publication into additional languages, including Italian, Polish, Portuguese and Thai. We expect this outreach to benefit many consumers of many cultures and backgrounds throughout the United States. Thank you for your time and we would be happy to answer any questions you might have.