Federal Communications Commission
Washington, D.C. 20554

May 4, 2007

Mr. Bruce Kushnick
Chairman
Teletruth
568 Broadway
Suite 404
New York, NY 10012

Re: Teletruth Data Quality Act Complaint submitted February 22, 2007

Dear Mr. Kushnick:

We have received your February 22, 2007 Data Quality Act Complaint which requests the correction of certain telecommunications data that the FCC uses and makes available to the public.[1] The FCC is dedicated to ensuring that its data is as accurate and reliable as possible. For that reason, the FCC offers a number of methods, including those available under the Data Quality Act, to allow the public and other interested parties to bring information and concerns to our attention.

Because of the numerous opportunities all parties have to comment on rulemaking proceedings, such as the ongoing intercarrier compensation proceeding[2] you refer to in your Complaint, the FCC Information Quality Guidelines specifically state:

> If affected persons are concerned about information disseminated in the context of a rulemaking proceeding, such concerns should be raised as comments in the rulemaking process.[3]

Thus, your comments related to intercarrier compensation should be filed and placed into evidence in this proceeding to allow this information to be considered with the other evidence. Information about filing

[1] E-mail from Bruce Kushnick, Teletruth and New Networks Institute, to Karen Wheeless, Office of the Managing Director, Federal Communications Commission, February 22, 2007 (Complaint).

[2] The Missoula Plan for intercarrier compensation reform was filed July 24, 2006 by the National Association of Regulatory Utility Commissioners' Task Force on Intercarrier Compensation (NARUC Task Force). Letter from Tony Clark, Commissioner and Chair, NARUC Committee on Telecommunications, Ray Baum, Commissioner and Chair, NARUC Task Force, and Larry Landis, Commissioner and Vice-Chair, NARUC Task Force, CC Docket No. 01-92, at 2 (filed July 24, 2006) (attaching the Missoula Plan); *Comments Sought on Missoula Intercarrier Compensation Reform Plan*, CC Docket No. 01-92, Public Notice, 21 FCC Rcd 8524 (Wireline Comp. Bur. 2006) (establishing due dates for comments and reply comments, which were extended subsequently). *See also Comments Sought on Missoula Plan Phantom Traffic Interim Proposal and Call Detail Records Proposal*, CC Docket No. 01-92, Public Notice, 21 FCC Rcd 13179 (Wireline Comp. Bur. 2006); *Pleading Cycle Extended for Comment on Amendments to The Missoula Plan Intercarrier Compensation Proposal to Incorporate a Federal Benchmark Mechanism*, CC Docket No. 01-92, Public Notice, DA 07-1337 (Wireline Comp. Bur. March 16, 2007).

[3] *Implementation of Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility, and Integrity of Information Pursuant to Section 515 of Public Law No. 105-554*, Report on Information Quality Guidelines, 17 FCC Rcd 19890, 19892, para. 9 (2002) (*Information Quality Guidelines*)

comments through the agency's rulemaking process is available at the Internet web page found at http://www.fcc.gov/rules.html. Parties may file paper comments or file comments electronically by using the Electronic Comment Filing System (ECFS) found on the FCC's web site at http://www.fcc.gov/cgb/ecfs.

Similarly, the FCC also provides parties with the same opportunities to file information through ECFS in proceedings other than rulemakings, such as the AT&T-SBC merger proceeding you refer to. By submitting comments in this manner, parties are able to place any information or concerns directly into the public record related to the relevant proceeding, and the FCC can then best evaluate that information in a timely manner before reaching its decision. Accordingly, you should follow this process to allow us to properly consider the kind of complex, detailed, and analytical information you refer to in your letter. In addition, the FCC allows interested parties to provide objections to, and comments on, tariffs that carriers file to establish rates. To the extent the data, which you refer to, pertain to tariffs, you may obtain copies of dominant carrier tariff filings electronically by using the FCC's Electronic Tariff Filing System (ETFS), located on the FCC's web site at http://svartifoss2.fcc.gov/prod/ccb/etfs/. Likewise, you may file any objections or comments on ETFS to particular tariff filings or the data on which they are based.

With respect to the aspects of your Complaint that deal with Commission-issued reports, we find that the associated Commission data are consistent with both OMB and Commission Data Quality Act Guidelines. Your assertions concerning AT&T's basic rate[4] do not demonstrate any inadequacy in the Commission's average revenue per minute data, which, as is stated in the Commission's *Telecommunications Industry Revenues* Reports, represent an average revenue per conversation minute of *all* interstate residential and business customer rates in a given time period.[5] Similarly, your use of Commission data on average revenue per conversation minute and average minutes of use[6] fails to take into account salient differences in what these distinct sets of data represent.[7] Finally, we reject your challenge to the quality of the Commission's data pertaining to residential expenditures on wired local and long distance services. The Trends in Telephone Service report is intended to represent *trends* in the service data. The series in question have been calculated consistently over time to display long-run trends in the data. The fact that the manner in which the series are calculated has not been altered to reflect recent trends in billing practices is clearly noted in the report. This fact cannot be ignored and must be taken into consideration in any attempts to interpret the data. We find that the methods employed by the Commission in this respect are transparent, reasonable and consistent with relevant Data Quality Act guidelines.

We find that the remaining elements of your complaint are not cognizable under the Commission's *Information Quality Guidelines* and we deny them on that basis.[8]

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[4] Complaint at p. 4.

[5] See, e.g., *Telecommunications Industry Revenues (March 2006)*, pp. 7-10 and table 9, available at www.fcc.gov/wcb/stats.

[6] Complaint at p. 7.

[7] As an example, the Commission's average revenue per conversation minute data takes into account all interstate and international minutes and revenues, while the average monthly InterLATA minutes you cite are comprised of only inter- and intrastate residential wireline use. *See, e.g., Trends in Telephone Service (February 2007)*, tables 3.2, 13.4, and 14.2, available at www.fcc.gov/wcb/stats.

[8] For example, your Complaint references statements made by Chairman Martin to the Senate in February, 2007. Complaint at p. 3. Speeches are excluded from the purpose and scope of the Information Quality Guidelines. *See Information Quality Guidelines*, 17 FCC Rcd at 19898, para. V.5 and V.10.iii (indicating that "dissemination," as

For the reasons explained above, your request to correct certain telecommunications data under the auspices of the Data Quality Act is denied. We certainly share your concerns about obtaining the best possible data on which to base policy- and decision-making. That is precisely why we encourage all interested parties to provide input through the processes the FCC has established for that purpose.
If you wish to appeal this decision under the terms of the Data Quality Act, your applications for review must be submitted in writing to the Federal Communications Commission, Office of Managing Director/Data Quality Appeal, 445 12th Street SW, Washington, DC 20554, within thirty (30) days of the date of this letter. The written appeal must include a copy of the original complaint and the response thereto, and an explanation of how the initial resolution of the complaint or the corrective action was contrary to the Commission's or OMB's information quality guidelines. You may also submit an e-mail copy of the written appeal if you wish. This optional e-mail copy should be sent to DataQualityAppeal@fcc.gov.

Sincerely,

Thomas J. Navin
Chief
Wireline Competition Bureau

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defined for the purposes of the Data Quality Act, does not include "non-scientific/non-statistical general, procedural, or organizational information" such as speeches, remarks, and presentations and their accompanying visual materials).

Before the
Federal Communications Commission
Washington, DC

DATA QUALITYACT COMPLAINT

THE FCC'S DATA PERTAINING TO AMERICA'S PHONE RATES, STATISTICS AND OTHER RELATED DATA ARE SERIOUALY FLAWED AND IN NEED OF MAJOR REVISION.

Filed by

Teletruth Board Members:

New Networks Institute,
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1) Introduction.

Bad data can lead to bad conclusions and bad policies. America's involvement in Iraq is an extreme case.

All levels of government need to have accurate data, including government agencies such as the Federal Communications Commission (FCC). The accuracy of data at the FCC is critical to the economic growth of the US economy, from broadband growth to innovation and services, as well as impacting the direct costs to customers who receive communications services and pay their monthly bills.

This Data Quality Act complaint outlines specific data flaws that have created harmful policies. We will show that the data lacks quality, integrity, objectivity, and utility.

According to the FCC's Data Quality Act Guidelines:
http://www.fcc.gov/omd/dataquality/complaint/

> "The Data Quality Act requires the development of government-wide standards on the quality of governmental information disseminated to the public. It directs the Director of OMB to issue guidelines under the Paperwork Reduction Act ("PRA"), 44 U.S.C. §§3504(d)(1) and 3516, providing guidance to Federal agencies "for ensuring and maximizing the quality, objectivity, utility, and integrity of information (including statistical information) disseminated by Federal agencies in fulfillment of the provisions of [the PRA]." The Data Quality Act states that OMB guidelines shall apply to sharing by agencies of and access to information disseminated by agencies (section 515(b)(1)); requires agencies to issue their own guidelines (section 515(b)(2)(A)); and requires agencies to establish administrative mechanisms allowing affected persons to seek and obtain correction of information maintained and disseminated by an agency that does not comply with OMB guidelines (section 515(b)(2)(B))."

This Complaint uses a supplemental report: "AT&T and MCI Are Harvesting Customers".
http://www.teletruth.org/docs/ATTMCIharvest.doc

This Data Quality Act complaint relates to:

a) Teletruth filed a report "AT&T and MCI Are Harvesting Customers" as part of the Missoula Intercarrier Compensation plan. As we note, that current proceeding uses inaccurate phone bill data that is being promulgated to raise the FCC Line Charge, Universal Service and add other fees. The conclusions are based on information supplied by the FCC and AT&T that are not accurate and not based on actual customer phone expenditures, based on actual phone bills.

See: http://www.teletruth.org/docs/TeletruthMissoula.doc

b) The new FCC report “Trends in Telephone Service Industry”, presents data clearly in direct contradiction to the phone bill charges and tariff filings we outline. The report also presents contradictory data that can not be reconciled. Worse, the report presents bad analysis.

Case in point “For some households taking bundled local and long distance service, it was impossible to separate the bill into its component parts. In those cases, the entire bill was allocated to the local exchange service provider.” As Teletruth will show, the process to separate local and long distance bundles is simple and trivial. The FCC has failed to do the analysis correctly. And if the phone bill information is so complicated that it can not be ascertained how to split local and interstate expenses, the FCC should immediately initiate an investigation for the ‘truth-in-billing’ violations. How are customers supposed to understand information about their charges that the FCC, the experts, can not demystify?

c) This Data Quality Act complaint outlines how bad data creates bad and harmful policies. As we will show, Teletruth has found that over 1/3 of US households have been harmed because the data is so inaccurate that it has covered over major rate increases and other harms to mostly low volume users and especially seniors.

Chairman Martin’s recent testimony in front of the Senate, February 2007 stated:

> “Third, we must continue to protect consumers. We must always be on alert for companies intentionally or unintentionally harming consumers.”

In 2005, during the AT&T and MCI Merger process, AT&T claimed it was “harvesting” its customers. Ironically, this next quote is found in a footnote in the AT&T-SBC merger order --- intentional harms to customers.

> “Harvesting refers to AT&T’s increasing price increases to encourage customers to discontinue service.”

Meanwhile, Chairman Martin claims that long distance prices decreased since 2000. In his testimony he states:

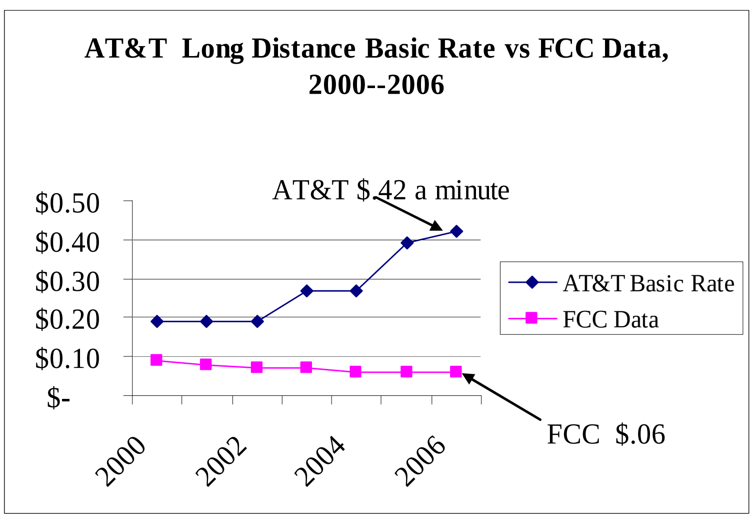
> ”In 2005, the price of Long distance was 2/3 of what it was in 2000.”

Obviously, the Chairman is quoting the data from “Trends in Telephone Service” and other reports --- the data to be used by the public and by the FCC to determine policies, everything from the AT&T-SBC-BellSouth mergers or the "Missoula Intercarrier Compensation Plan".

Teletruth's data contradicts the FCC's data and shows that either the FCC's data led to bad conclusions or that the FCC simply doesn't care about customers.

- 30-40 million AT&T and MCI customers were harmed with increases of 200%+ since 2000, especially seniors and low volume customers.
- Millions of customers are paying $.50-$1.00 a minute or more for long distance when all of the charges are added together.
- "Basic" long distance rate for AT&T is $.42 a minute (day rate) and does not include increases or new fees: Minimum Usage, Monthly Fee, Cost Recovery, Single Bill Fee, In-state Connection fees and increases to the Universal Service Fund since 2000.

Meanwhile, the FCC's data shows that long distance prices have declined from $.09 minute to $.06 a minute. The chart, from the Teletruth report, highlights the different information for the exact same timeframe – 2000-2006.



2) The Consequences of Bad Data Are Enormous.

a) No protections from 'intentional harms -- Harms to 1/3 of US customers went unnoticed. How can it be that phone bill data shows that AT&T's basic long distance rates are now $.42 a minute, while the FCC claims that the rate is only $.06 --- How do the FCC miss an entire segment of the population?

NOTE: The FCC claims that in 2005 AT&T and MCI had 26% of households while the data we found prior to the merger showed that AT&T alone had 25 million customers, thus, MCI would make the total somewhere around one third.

b) The AT&T-SBC-BellSouth, Verizon-MCI mergers are in question. The FCC knew that AT&T had 'intentional' plans to raise rates, but the FCC's data are not granular enough to show how many were impacted. The FCC's data does not examine "low volume" users, or the fact that seniors were harmed.

c) Missoula Plan: The current plan to raise the FCC Line Charge, Universal Service and add fees to the bills are outrageous when the FCC hasn't examined the various impacts of the current additional fees, from cost recovery fee, single bill fee, instate fee, minimum usage fees, etc.

d) Previous increases to the FCC Line Charge, Universal Service fund, etc., are also in question. When the FCC, in 2000, claimed that long distance prices would go down because the trade-off would raise the FCC Line Charge, how is it that long distance prices went up, not to mention increases to the local charges?

e) Competition issues, bundling issues. In our report we clearly demonstrate that there are no major-brand competitive choices for the majority of the US, especially low volume users.

Chairman Martin claims, using the FCC's data, that prices are down two-thirds from what they were in 2000 because of vigorous competition.

> "Americans are reaping the rewards of this revolution Markets and companies are investing again, job creation in the industry is high, and in almost all cases, vigorous competition – resulting from free-market deregulatory policies – has provided the consumer with more, better and cheaper services to choose from. Consumers are certainly paying less for more. In 2005, the price for long distance service was two-thirds of what it was in 2000, wireless phone service was half its 2000 level, and the price for placing an international call was a quarter of what it was in 2000."

Teletruth's data shows that the FCC's data is so flawed that it created a myth about the actual costs of service and competition. AT&T and MCI are not longer competing but raising rates. SBC and Verizon do not compete and so local rates are also rising, not falling for the majority of customers. If there was vigorous competition, then these companies couldn't continue to raise rates. However, the FCC's data can not detect actual costs to customers.

For low volume users, wireless is not an option, VOIP requires broadband, cable packages require cable service or pay premiums. Also, Teletruth's survey data reveals that the current plan for AT&T and MCI (Verizon) is to use harvesting to force customers onto more expensive (and unnecessary) packages.

3) Our Complaint Will Outline the FCC's Failings of the Data Quality Act.

We will show that the data is 'influential', but fails in being objective, lacks quality and is not reliable, lacks utility, and is not reproducible, thus causing impacts in multiple ways. The FCC defines these terms as:

- *Influential*, when used in the phrase "influential scientific, financial, or statistical
- information," means that the Commission can reasonably determine that dissemination of the information will have or does have a clear and substantial impact on important public policies or important private sector decisions.
- *Objectivity* involves two distinct elements, presentation and substance. In a substantive sense objectivity means that, where appropriate, data should have full, unbiased, reliable, accurate, transparent documentation; and error sources affecting data quality should be identified and disclosed to users. In a scientific, financial, or statistical context, substantive objectivity means that the original and supporting data shall be generated, and the analytic results shall be developed, using sound statistical and research methods. Presentational objectivity involves a focus on ensuring unbiased clarity, accuracy, completeness, and reliability.
- *Quality* is a term encompassing utility, objectivity, and integrity. Therefore, the guidelines sometimes refer to these four statutory terms, collectively, as "quality."
- *Reproducibility* means that the information is capable of being substantially reproduced, subject to an acceptable degree of imprecision. For information judged to have more influence or important impact, the degree of imprecision that is tolerated is reduced. With respect to analytic results, "capable of being substantially reproduced" means that independent analysis of the original or supporting data using identical methods would generate similar analytic results, subject to an acceptable degree of imprecision or error.
- *Utility* refers to the usefulness of the information to its intended users, including the public. In assessing the usefulness of information that the Commission disseminates to the public, the Commission will consider the uses of the information not only from the perspective of the Commission but also from the perspective of the public.

Remedy: Redo most of the data on phone charges. Hire an outside consultant to outline a new series of processes for data collection and analysis.

4) Background of New Networks Institute and Teletruth's Record.

The FCC's data on phone bills has been flawed for well over a decade. In 1994, New Networks Institute filed a complaint pertaining to phone bill charges. We found that the FCC's data on virtually every data point had ignored or left out pertinent information that

would harm customers. A simple example; NNI found a 331% difference in the cost of an installation in New York City as quoted by the FCC as compared to the actual rate in New York City, as paid by customers.
See: http://www.teletruth.org/docs/UpdatecomplaintFCC1994.doc

Teletruth has also filed other Data Quality Act complaints and multiple comments and other complaints pertaining to the FCC's lack of accurate data dealing with broadband, competition, Internet and ISP issues, wireless services and phone charges.

See: http://www.fcc.gov/omd/dataquality/welcome.html#requests

Specific Problems with the FCC's Data: (We address these topics in detail in the report.)

5) The FCC's Data Can Not Be Cross-Referenced and have the Results Make Sense or be Reproducible .

- Average Monthly Cost for Long Distance
- Revenue Per Minute for Long Distance
- Average Monthly Minutes of Use for Long Distance.

Combining FCC Long Distance Statistics,

a) Average interstate costs (monthly)	$8.00	2005
b) Cost per minute	$.06	2004
c) Minutes of use: (monthly)	32	2005
1. InterLATA interstate	8	
2. interLATA interstate:	24	
d) Cost per minute and 32 minutes	$1.92	
e) Missing from equation	$6.08	
e) Cost per minute using $8.00 and 32 minutes	`$.28 a minute	

According to the FCC, the average cost per month is $8.00 and the average household only makes 32 minutes of interstate/intrastate calls, (long distance and toll calls), then the total should be $1.92. But the average is $8.00 – a difference of $6.08. Where is the FCC's data on plan fees, single bill fee, etc.?

Next, if you examine the cost per minute as the division of the monthly cost and the number of minutes, you have a new fact – that the actual cost per minute is $.28, not $.06. Plan Fee, Single bill fee, monthly minimums are all charges a customer must pay to get service from AT&T and MCI and are direct revenue to the phone companies. Why is there no data about these charges in the "Trends of Telephone Service" report?

Therefore, there is so much inconsistency between these numbers as to make them useless.

6) Failure to Do the Proper Calculations for Local and Long Distance.

According to the FCC: "Trends in Telephone Service, Industry Analysis and Technology Division" Wireline Competition Bureau, February 2007

> "For some households taking bundled local and long distance service, it was impossible to separate the bill into its component parts. In those cases, the entire bill was allocated to the local exchange service provider."

It is impossible to reproduce the FCC's data because information like this shows that it can not be measured properly when attempting to redo the calculation, even with the same evidence. How much is "some"? Therefore it is totally inaccurate. This simple problem totally distorts what happened to the long distance service and local service. Is the FCC referring to Verizon or AT&T or other non-brand names as "some"?

Verizon claimed that it has "approximately 7.9 million Verizon Freedom packages" at the end of 2006. Are these phone bills part of the "some"?

Worse, finding the cost of long distance and local service on bundles is trivial and it astounded Teletruth that the FCC would not know how to do this.

7) How to Find the Long Distance Portion of a Bundle with Local Service.

a) Read the phone bill.

This problem goes to the source of the FCC's bad data. It is clear that the FCC simply didn't examine actual phone bills. Here is a statement from Verizon Freedom Essentials in New York, 2007, explaining the break out of local and long distance from the package.

Verizon New York Bill using Online Billing, January 2007

> "Verizon Freedom Essentials (sm)
> Includes Regional Essentials provided by Verizon-NY and Unlimited Long Distance provided by Verizon Long Distance ($12.95 on the total package price of $39.99 is associated with long distance services and $27.04 is associated with Regional Essentials)".

See the actual bill: http://www.newnetworks.com/verizonfreedom.htm

b) Examine the Taxes and Surcharges to Determine the Local and Long Distance Split.

Universal Service is only allowed to be applied to 'interstate' services -- Long distance. Therefore, long distance is taxed Universal Service and if the phone company has properly applied the tax then the portion of the bill that the tax is being put upon will be known. Also, other taxes and surcharges are applied to long distance services as opposed to being applied to in-state services, though it varies by state about the tax and surcharge applications.

c) Truth-in-billing Violations Are Clear but Unexamined.

The previous statement: "For some households taking bundled local and long distance service, it was impossible to separate the bill into its component parts."

The above statement came from the FCC staff who are experts in their field. If the experts could not figure out the charges for allocation purposes, how does the FCC expect the consumer to know if the charges are correct? Characterizing bundling data as "For some households" is misleading since over 60% of consumers are on packages. Teletruth's studies show that many consumers should not be on this type of bundled plan because they don't use more than two features and/or they don't make enough long distance calls.

The FCC statement clearly brings billing accuracy and truth-in-billing issue into play. In order for a bill to be fully analyzed for allocation, the accuracy of the bill must be assured or taken into account. If the bill data was so bad that the staff could not allocate the services, the data should not have been used. It affects stakeholders who rely on the accuracy and quality of the report. In this case, the public interest is being harmed when the public relies on the FCC characterization of the data and frequent statements that cable rates are going up while phone bills are going down.

If FCC staff were unable to separate the bill into its component parts, allocating 100% to local is a huge mistake. The improper allocation to intrastate could also cause the interstate revenues used for funding the USF to be understated causing a shortfall in collections.

Unreproducible data: The FCC's data is based on a donation of phone bill information from TNS Telecoms, an independent market survey firm. In order for other group to reproduce the FCC's results it would have to share that data with all FCC stakeholders involved with truth-in-billing issues and phone bill accuracy. If TNS was unable assist FCC staff in understanding the phone bill data, this should have been passed over to FCC staff responsible for truth-in-billing compliance issues or section 201 (b) violations. Failure of the Commission to act on information brought to their attention is a violation of the public trust.

8) A Bias Towards "High Volume" Users.

If you create a pie chart of user groups, based on Teletruth's phone bill surveys, it is clear that there are three main groups, "low", "medium" and "high" volume users, each representing about 1/3 of the population. The FCC has a clear bias toward "high volume" users and therefore, not objective. (Note: This is an approximation. Also, within each subset there are more granular stats, such as low volume users who make few or no calls or very high volume users who make over 1000 minutes a month in calls.)

In the FCC's official reference book on phone bill prices, we find that the term "low volume" could not be found. We only find that the FCC wants to show the good impacts of their decisions which help "high volume" customers. In fact, the FCC claims that "basic schedule" rates are "obsolete" for high-volume customers.

From: "REFERENCE BOOK of Rates, Price Indices, and Household Expenditures for Telephone Service Industry Analysis & Technology Division Wireline Competition Bureau, 2006"

> "Toll Service Rates "The increased availability and marketing of discount and promotional long distance plans, as well as the popularity of wireless "bucket-of-minutes" plans, has made basic schedule rates obsolete for many long distance customers, particularly business customers and **high volume residential consumers.** Today wireline, wireless, and cable companies are offering consumers bundled packages of local and long distance service, and buckets of minutes that can be used to call anyone, anywhere, and anytime."

There is no mention of how many customers are 'high volume' customers, and there is no indication of the impacts on low volume or medium volume customers. The FCC simply wants to put on a 'good' face that their plan is working and that competition exists.

If you argue that the FCC has no obligations to examine low volume users as a separate class, then the reader or the FCC haven't read through or are familiar with every FCC phone case from the CALLs plan in 2000 or the Missoula Intercarrier Compensation plan, to the planning of the Universal Service Fund or raising the FCC Line Charge.

More to the point, if the FCC brings up the topic of 'high-volume' users, the FCC should at least explain the number of actual high-volume customers as a percentage of the entire population. None of that work exists today.

The problem is so massive and pervasive. For example, AT&T, in the Missoula Intercarrier Compensation plan currently being explored at the FCC claims that the average low volume long distance customer is paying $10.00 a month. The FCC data we previously quoted shows that the average long distance customer in the US is paying $8.00 a month ---

which is higher than AT&T's low volume number.

While we mentioned this point to the FCC in the previous filing, the FCC has no data to refute anything AT&T puts forth as it does not have its own 'low volume' information.

Another Missoula caveat worth mentioning is that even AT&T and the other phone companies admit that low volume users will see increases under this plan.

> "The lowest volume users of wireline and wireless services will see some small increases: about $1.50 per month for low volume rural wireline consumers, $2.05 per month for low volume urban wireline consumers, and $0.10 for low wireless customers"

If the AT&T numbers are off by a few dollars, then these 'increases' are being skewed to prove that Missoula will only have nominal impacts, vs actual and increased impacts.

9) Direct Harms Caused by Biased Research. Failure to Detect Harming 1/3 of the US Paying Increased Local and Long Distance Rates.

Chairman Martin's recent testimony in front of the Senate, February 2007 stated:

> "Third, we must continue to protect consumers. We must always be on alert for companies intentionally or unintentionally harming consumers."

And yet the FCC knew in advance that AT&T and MCI were "harvesting" their customers.

> "Harvesting refers to AT&T's increasing price increases to encourage customers to discontinue service."

Did the FCC know that the 25-40 million customers were going to have price increases or be forced to leave their service – and continued, regardless to allow the mergers to go through? Did the FCC not see the magnitude of the issue because the FCC failed to do a separate examination of how many customers would be impacted?

As we point out in the report, the FCC was told in 2000 that the overwhelming number of low volume users were seniors who were loyal to AT&T and didn't read their phone bills. AARP conducted a survey in 2000.[i] Loyal customers are not rewarded.

- 75% of seniors were paying basic rates and on average, made only 3 calls a week.
- 74% used either AT&T or MCI.
- Only 33% of seniors said they "search among long distance telephone providers for the least expensive rate."

Had the FCC collected accurate data on low volume users, the FCC might have taken a different view of allowing AT&T to be bought by SBC, MCI by Verizon.

10) The "Competitive Choices" Notion Uses Bad Data to Support the Claims.

The FCC Order for the SBC-AT&T merger claims that long distance users are a 'fringe' market".[ii]

> "Long Distance Services There is significant evidence in the record that long distance service purchased on a stand-alone basis is becoming a fringe market."

The FCC has no data on actual cost of long distance, or how many customers have packages or stand alone services, and yet, there were at least 20 million AT&T customers with stand alone long distance in 2005 according to the merger documents and MCI and other competitors could double that amount.

The FCC's Trends report shows that AT&T and MCI alone in 2005 had 26% of households, while 'other' competitors had an additional 24%.

Is 1/4 of 1/3 of the US households a 'fringe market'?

More to the point, the FCC has no data about whether people on bundles are not overpaying, whether they are being forced onto packages because of a paucity of name-brand options.

And worse, as we point out, there are few, if any options for low volume users. For low volume users, especially seniors, wireless is not an option. VOIP, which requires broadband, is not an option. Cable only sells bundles and requires cable service (or higher rates). More to the point, why should a customer pay for package when they make less than 15 minutes of calls a month?

The FCC has no data on this topic. Therefore whatever data on competition they have is biased, not objective, and not reliable.

Conclusion: The FCC needs to redo its entire data collection and analysis process dealing with phone bill charges and the impacts to customers. We could continue for hundreds of pages of specific issues, each with their own problems.

Congress should take the initiative and require an overhaul of the FCC's data, but also examine how the past and current decisions were influenced by bad data.

Endnotes: (Note, the Report is footnoted for specific quotes.)

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[i] Consumer Understanding of Pricing Practices and Savings Opportunities in the Long Distance Telephone Industry. AARP, 2000

[ii] SBC Communications Inc. and AT&T Corp. Applications for Approval of Transfer of Control, WC Docket No. 05-65, MEMORANDUM OPINION AND ORDER Adopted: October 31, 2005 Released: November 17, 2005