

**STATEMENT OF
SOL CARBONELL
ASSOCIATE, NATIONAL PRIORITIES
CONSUMER ACTION**

I WOULD LIKE TO JOIN KEN MCELDFOWNEY IN INVITING YOU TO THIS NEWS CONFERENCE.

AS KEN NOTED, CELL PHONE-RELATED QUESTIONS AND COMPLAINTS ARE A HOT TOPIC FOR CONSUMERS AND THE COMMUNITY GROUPS THAT REPRESENT THEM.

EVEN THOUGH LIMITED PROGRESS HAS BEEN MADE ON SOME CONTRACT-BASED CELL PHONE BILLING AND DISCLOSURE ISSUES, THERE ARE STILL MANY PROBLEMS THAT WILL CONTINUE TO CONFUSE AND MISLEAD CONSUMERS IN 2009.

OUR GOAL HERE TODAY IS TO HELP SHINE A SPOTLIGHT ON SOME OF THE LEAST UNDERSTOOD PROBLEMS AREAS.

WITH THAT, LET'S JUMP INTO THE FIVE EMERGING CELL PHONE ISSUES TO WATCH IN 2009 ...

ISSUE #1 ... CONTINUED EARLY TERMINATION FEES, WITH ONLY MINOR RELIEF FOR SOME CONSUMERS.

FACED WITH GROWING CONSUMER ANGER, SCORES OF LAWSUITS, ACTUAL SETBACKS IN THE COURTROOMS AND THE RISK OF TOUGHER FEDERAL REGULATION, AMERICA'S LARGEST CELL PHONE COMPANIES HAVE BEEN FORCED TO RELENT A BIT ON EARLY TERMINATION FEES ... OR "ETFS" FOR

SHORT ... THAT CAN RANGE FROM \$150-\$200. LATE LAST YEAR, SPRINT FINALLY JOINED OTHER MAJOR CELL PHONE COMPANIES -- INCLUDING VERIZON, AT&T AND T-MOBILE -- IN PRO-RATING ETF PENALTIES. (IN JULY 2008, SPRINT WAS ORDERED BY A CALIFORNIA COURT TO PAY \$73 MILLION FOR ITS EARLY TERMINATION FEE PRACTICES. A \$1.2 BILLION CLASS ACTION LAWSUIT SEEKING ETF REFUNDS FROM SPRINT WAS FILED IN NOVEMBER 2008.)

SO HOW MUCH RELIEF CAN CONSUMERS ACTUALLY EXPECT ON ONEROUS ETF CHARGES?

IN TRUTH, MOST OF THE PRORATING PLANS PROVIDE VERY LITTLE RELIEF IN THE FIRST YEAR OF A CONTRACT. UNDER ONE PLAN, THERE IS NO REDUCTION DURING THE FIRST SIX MONTHS OF A CONTRACT AND THE ETF PENALTY ONLY GOES DOWN BY \$10 A MONTH THEREAFTER. AT ANOTHER CARRIER, THE ETF SAVINGS ONLY REALLY START DURING THE LAST SIX MONTHS OF THE TERM OF THE CONTRACT. WHILE THAT MAY HELP OUT SOME CONSUMERS WHO DECIDE TO BAIL ON THE VERY TAIL-END OF A PHONE CONTRACT, MANY CONSUMERS WILL STILL FACE THE FULL (OR NEARLY FULL) ETF PENALTY ... OR BE FORCED TO STICK WITH A CARRIER THEY CAN'T AFFORD TO DUMP.

LET'S MOVE ON TO ISSUE #2: LITTLE CHANGE ON OVERAGE FEES OF UP TO 45 CENTS A MINUTE.

BANK ATMS HAVE NOTHING ON CONTRACT-BASED CELL PHONES WHEN IT COMES TO POOR DISCLOSURE. IF YOU DON'T HAVE AN EXPENSIVE "UNLIMITED" CELL PHONE PLAN, CONSIDER WHAT YOU PAY WHEN YOU EXCEED THE MINUTE LIMIT ON YOUR CONTRACT CELL PHONE PLAN. ONE REPORT FINDS THAT, FOR EVERY MINUTE YOU GO OVER THE CEILING IN YOUR PLAN, AT&T CINGULAR CHARGES UP TO 45 CENTS A MINUTE, VERIZON

CHARGES 40 CENTS A MINUTE AND SPRINT IS ALSO UP TO 40 CENTS A MINUTE.

THAT TAKES US TO ISSUE #3: *A JUMP IN MANDATORY CELL PHONE CONTRACT EXTENSIONS AS MORE YOUNG AMERICANS USE CELL PHONES.*

THIS IS A BIG ISSUE FOR PARENTS AND FAMILIES ON A BUDGET ...

TEEN AND “TWEENER” USE OF CELL PHONES CONTINUES TO RISE AND THAT INEVITABLY MEANS MORE LOST AND BROKEN CELL PHONES FOR PARENTS TO REPLACE. MANY CONSUMERS LEARN THE HARD WAY THAT THERE’S A CATCH WHEN YOU TRY TO REPLACE A LOST OR BROKEN CELL PHONE -- YOUR CONTRACT MAY START ALL OVER AGAIN FROM SCRATCH ON THE PHONE -- EVEN IF YOU’VE BEEN PAYING FAITHFULLY EACH MONTH FOR REPLACEMENT INSURANCE. (SOME EXPERTS HAVE SUGGESTED PUTTING CHILDREN ON PREPAID CELL PHONES TO AVOID THE RISK OF PAYING MORE AS A RESULT OF LOST AND BROKEN CELL PHONES.) ANOTHER ALTERNATIVE IS TO BUY A CHEAP, UNLOCKED PHONE AND SWITCH THE SIM CARD FROM YOUR BROKEN PHONE INTO IT WITHOUT REPORTING IT TO YOUR CELL PHONE COMPANY.

LET’S PROCEED TO ISSUE #4: *A BACKLASH AGAINST OUT OF CONTROL TEXTING FEES.*

THIS PROBLEM IS NOW SO BAD THAT WISCONSIN SENATOR HERB KOHL – A KEY MEMBER OF THE SENATE JUDICIARY COMMITTEE – ASKED THE NATION’S FOUR LARGEST WIRELESS CARRIERS IN LATE 2008 TO EXPLAIN THE “SHARPLY RISING RATES” THEY CHARGE CUSTOMERS TO SEND AND RECEIVE TEXT MESSAGES. IN LETTERS TO VERIZON WIRELESS, AT&T INC., SPRINT NEXTEL CORP. AND T-MOBILE, KOHL NOTED THAT MANY CONSUMERS ARE PAYING MORE THAN 20 CENTS PER MESSAGE, UP FROM

10 CENTS IN 2005. THIS INCREASE, HE SAID, “DOES NOT APPEAR TO BE JUSTIFIED BY RISING COSTS IN DELIVERING TEXT MESSAGES,” WHICH ARE SMALL DATA FILES THAT ARE INEXPENSIVE FOR CARRIERS TO TRANSMIT.

LET’S CONCLUDE NOW BY LOOKING AT ISSUE #5: *A SHIFT AWAY FROM SCANDAL-PLAGUED INTERNATIONAL CALLING CARDS FOR IMMIGRANTS.*

THIS IS AN ISSUE THAT CONSUMER ACTION KNOWS A LOT ABOUT BASED ON THE GROUPS WE WORK WITH ...

AS THE U.S. SENATE COMMERCE COMMITTEE AND OTHERS HAVE DOCUMENTED, FRAUD AND ABUSE IS NOW EPIDEMIC AMONG CALLING CARDS, PARTICULARLY THOSE AIMED AT NEWCOMERS TO THE U.S. IF THE CALLING CARD FUNCTIONS AT ALL, IT MAY ONLY WORK FOR A FRACTION OF THE PROMISED TIME. (THE SENATE COMMITTEE FOUND THAT THE AVERAGE CARD DELIVERS ONLY 50 PERCENT OF THE PROMISED MINUTES.)

ONE PROBLEM WITH THE CARDS IS THAT FEES THAT ARE EITHER NOT DISCLOSED OR ARE CONTAINED IN VERY SMALL PRINT ON THE BACK OF THE CARD. IN FACT SOME CARDS WERE ADVERTISED IN SPANISH, BUT THE DISCLOSURE WAS IN ENGLISH. OTHER CARDS BILL ONLY IN 3- OR 4-MINUTE INCREMENTS, EVEN WHEN A CALL LASTS ONLY A FEW SECONDS. GIVEN THE EXTENT OF PROBLEMS WITH CALLING CARDS, IT IS LIKELY THAT MANY IMMIGRANTS WITH LITTLE OR NO ESTABLISHED CREDIT WILL MIGRATE TO PREPAID PHONES WITH ARRANGEMENTS FOR INTERNATIONAL MINUTES.

AGAIN ... THOSE ARE THE TOP 5 EMERGING ISSUES IDENTIFIED BY CONSUMER ACTION FOR CELL PHONE CONSUMERS TO WATCH IN 2009.

THAT CONCLUDES MY OPENING STATEMENT.