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COMMITTEE ON ENERGY AND COMMERCE

"Legislative Hearing on HR 3993 the Calling Card Consumer Protection Card"

Thursday, December 3, 2009

Introduction:

Thank you very much for the opportunity to share my perspectives on prepaid telephone cards. This hearing is very timely.

The United African Organization (UAO) and the Illinois Coalition for Immigrant and Refugee Rights (ICIRR) recognize that prepaid phone cards are often the only means for immigrants from Africa, Asia, Latin America and the Caribbean to stay in touch with family members abroad. The cards are generally marketed through ethnic stores and neighborhoods with significant immigrant populations; they are easily accessible and, on the surface, cheap compared to rates by major providers. However, appearances are often deceiving, particularly for consumers with limited English Proficiency (LEP).

Consumer Complaints:

Prepaid phone cards too often do not provide the actual amount of minutes advertised or announced due to a myriad of fees. Limited English Proficient (LEP) consumers, including immigrants, refugees and the low-income, are faced with unnecessarily small fine print to decipher associated usage fees. By all accounts, prepaid phone cards are predominantly used by some immigrants who can't qualify for phone service from major providers like AT&T and Verizon because they lack needed

documentation or they do not have credit history. Alas, this vulnerable group of undocumented consumers of prepaid phone cards is the least likely to complain about poor customer service, deceptive practices or deficiencies associated with use of the cards. Fees may not always be fully disclosed; and even if they are disclosed, they usually are not understood. When you factor in the problem with low completion rate of calls, hidden fees can easily account for a hefty portion of the cost per call.

Short expiration dates have become a pervasive practice, presumably to increase calling card sales. Unsuspecting customers are out of minutes if they hold on to the cards beyond the short expiration dates. Immigrant customers are likely to buy a few extra cards in case of a family emergency in far away places like the Democratic Republic of Congo or Trinidad & Tobago. The short expiration dates often leave such customers with worthless cards due to no fault of their own. Short expiration dates are sometimes related to yet another hidden problem with prepaid phone cards: *Some calls do not reach their destinations*. An unsuspecting customer may try repeatedly over an extended period of time to reach their loved ones in Bolivia or Liberia without giving much attention to the expiration date. Consequently, they are hit with the double whammy of losing their money <u>and</u> not able to talk to their loved ones abroad.

Cost-per-minute rates are too often higher than those advertised. The joke in the community is that it does not matter whether the prepaid phone card is marketed under the brand name of "African Safari" or "African Kilimanjaro," the actual cost-per-minute rate is as mysterious as the night sky over the Sahara desert! In other words, prepaid calling cards are like books whose covers tell you nothing about their content. You simply hope and pray to the Holy Spirit that you'll have your money's worth.

And to add insult to injury, customers have no recourse to lodge their complaints. Even in the rare instances where you can reach a customer service department, customer service personnel may not be available or speak a language the customer understands. Since a significant percentage of their customer base consists of Limited English Proficient households with at least one relative abroad, it flies in the face of logic that many prepaid phone card providers do not have customer service departments or departments with linguistically competent staff. This lack of commitment to customer needs implies a cynical business strategy, relying on captive

customers who will accept cutthroat rates and poor service because they have no viable alternatives.

There is the perennial complaint about billing increments – the units the companies use to deduct minutes. For example, if using one-billing increment on a $.05 per minute card, it deducts $.05 from the card if the call lasts one minute or just 30 seconds. If the card applied a five-billing increment, that same 30 second call would cost $.25. Clearly, the customer ends up with fewer minutes than previously advertised.

It is crystal clear that the empirical basis of the above consumer complaints points to one conclusion: ***information provided by prepaid phone card issuers is often confusing, incomplete and deceptive***.

Conclusion:

In requiring *accurate and reasonable disclosure of the terms and conditions of prepaid telephone calling cards and services,* we strongly believe that H.R. 3993 addresses all pertinent consumer complaints in our diverse immigrant and low-income communities. Furthermore, we believe that careful wording of what is meant by truthful disclosure of minutes available is imperative if per-call and periodic fees are allowed. If fees are allowed, there must be standardization of terms and only one term for each fee. Consumers should have better information prior to purchase. Prepaid phone card providers can facilitate this process by using simple, plain English!

Thank you.