

Dialing down your home-phone costs

Bills are on the rise. We'll help you find a lower-cost option that works for you.

With all the fuss over cell phones, you'd think consumers had gone completely wireless. But 95 percent of American households have landlines. And their costs are going up.

Sure, every time you turn on your TV, carriers are vying for your business. But they aren't offering much. Long-distance charges are rising as the troubled telecommunications industry tries to make up lost revenue. Savings are hard to come by on local and in-state phone services, which residential consumers use most. And, local rates have been rising with inflation, not falling, as many deregulation proponents had hoped.

Paring your costs and getting decent service require creative thinking about how you use your phone, which services you need, and whether you can get them more cheaply from another carrier, a reseller, or a cable or an Internet provider.

To help you decide, we enlisted TeleBright, a Rockville, Md., phone-rate-tracking company, to compare monthly costs for people with three different calling patterns. The results, on page 27, show that no carrier is cheapest for every caller. In the box on page 26, we discuss resellers and bargain-basement phone carriers, and describe their pluses and minuses.

To achieve savings, you should understand your options. Here's what you need to know.

FEW CHOICES, MORE CHARGES

The vast majority of consumers still have only one local provider, so local rates haven't been driven down by fevered competition. What competition there is has come mostly from wireless and cable providers. And turmoil in the telecommunications industry, fueled by overbuilding, debt, and poor management, including fraud (MCI's parent company, WorldCom, filed the largest bankruptcy in U.S. history last year after discovering \$7.1 billion in nonexistent revenues), has left large and small phone companies crying poverty—and hiking fees and service charges even when they haven't raised rates. Not that some haven't done that, too. In 2002, MCI raised prices three times, most recently in December, when it hiked rates on some calling plans by as

much as 80 percent. Last year, AT&T and Sprint also raised rates and fees.

Meanwhile, government officials have tacked on fees and taxes to shore up shaky state budgets and to pay for enhanced wireless 911-emergency systems that may not be in place until 2005. Consumers who rarely use the phone will see their bills rise proportionately higher than heavy users, since they pay the charges no matter how few calls they make.

LOOK TO YOUR OWN PHONE USAGE

Getting a better deal on your home-phone service requires understanding your household usage patterns and devising a strategy for making the most of what you use. First, consider trimming redundant services, such as extra lines. If, for example, you recently purchased a cell

A bundle of savings for bundlers

Carriers have started to offer package rates to households willing to combine all their phone usage. Some companies in some areas will bundle cellular and DSL Internet access, too. At our request, TeleBright, a Rockville, Md., phone-rate tracking company, searched for companies that offer the lowest bundled rates to a household using 25 hours of local and long distance phone service per month. MCI's Neighborhood Plan turned out to be the cheapest by far. (Totals in the chart at right include charges such as service fees.) Plans vary by locality, so check around to find the best one for your own usage.

PLAN	MONTHLY CHARGE Charge for "bundled" deal
AT&T (N.Y.)	\$151.83
MCI	60.94
Verizon	192.30

phone for your teenager, he or she may no longer need a line at home.

Next, sit down with three months' worth of bills, not just your local and long-distance bills, but all of the communications bills in your home, including wireless and Internet access. Average the number of minutes of local, long-distance, and wireless services you use monthly and note the time of day when you make most of your calls. Although 95 percent of long-distance plans are now flat-rate plans that charge the same cents-per-minute price throughout the day, there are still calling plans that offer lower rates for nights and weekends.

Input your data (how many minutes spent on interstate or in-state long-distance) using our calling-plan selector, which will be available until Feb. 10, at no charge, on our web site, www.ConsumerReports.org. Or, use worksheets

available for \$6 (by e-mail) or \$7 (by regular mail) from the Telecommunications Research & Action Center (TRAC), a nonprofit advocacy group (P.O. Box 27279, Washington, D.C., 20005; www.trac.org), to find out which carriers offer the most economical plans appropriate to your needs. (TRAC breaks down plans by calling patterns; our web site shows data only for 24-hour, 7-day calling plans.)

ADD IN THE EXTRAS

You're not finished yet. You also have to look at service charges, monthly minimums, and extra fees, which vary from carrier to carrier. TeleBright's analysis, in the table on page 27, revealed in fact that monthly service charges ranged from zero to \$8.95 a month for four major long-distance carriers we compared: AT&T, MCI, Sprint, and Verizon.

Such fees are not necessarily stan-

dard. Take the Universal Service Fee, a 7.2 percent federal levy imposed to help subsidize phone service for rural communities, low-income citizens, schools, and hospitals. All four major carriers charged more than 7.2 percent for that fee. Such discrepancies arise from variations in the way companies apply the fee. Until recently, the Federal Communications Commission (FCC) has said that it has no authority to intervene if companies collect more than they need, but now the agency is considering a proposal to do just that.

Other charges look like they are government-mandated but aren't. Sprint, for example, uses a separate billing line for for property taxes it pays.

The TeleBright analysis of three different calling patterns from an exchange in Manhattan shows that none of the four major carriers was consistently cheapest. For heavy intrastate users, AT&T was least expensive, for heavy state-to-state callers, Sprint, and for users who are average according to FCC data, Verizon.

On top of those basic charges come incidentals, which you can learn about only by asking. Indeed, you may not realize it but, you are being dollared and two-dollared to pieces each month with extras. More customers, for example, are paying for calls to cellular phones outside their local exchange area, which adds from pennies to several dollars per month to an average bill.

Directory-assistance tolls are soaring as well: Seattle-area callers pay \$1.25 per listing and receive only one free request per month. Excel, a reseller of long-distance service, charges callers \$2 per long-distance listing. Sprint assesses a \$1.50 fee for consumers who combine their local and long-distance bills on the same statement. (Local providers are state-regulated and have less latitude to impose extra charges.)

DIALING DOWN

Besides using a low-cost long-distance carrier, here are other ways to cut your telecom spending:

Buy prepaid calling cards. If you make a limited number of long-distance calls each month, consider buying prepaid calling cards from a reputable

Phone service from brand X

In a world of confounding phone deals, some companies stand out with low, low rates.

You may have encountered them if you've used the Internet to search for phone-rate bargains. Next to well-known, heavily advertised long-distance carriers, such as MCI, Sprint, and AT&T, upstarts like Capsule Communications, PowerNet, and Enhanced Communications Group (ECG), among others, quietly peddle long-distance phone service for as little as 3.9 cents per minute.

These small companies, called resellers or wholesalers, can offer bargains because they don't generally own or maintain giant networks or equipment; typically they buy large blocks of minutes wholesale from big long-distance carriers or use their own switches to get on the lines. Resellers have begun providing local service in some markets—Florida, for example.

If you sign up with a reseller, you shouldn't notice any difference in sound or connection quality because the phone service is typically provided over the same equipment as that of the big-name carriers.

But there may be a difference in customer service. Some resellers operate on shoestring budgets, which don't allow for extravagant customer-service staffing. Some accept orders only over the Internet.

Despite that, a review of several months of Public Service

Commission complaint records in New York and Florida, two states where resellers abound, revealed that none of them seem to have had a disproportionate number of complaints. Most, like those filed against major carriers, involved billing.

Another concern: the financial instability of some resellers. Capsule Communications, for example, has never been profitable. Conceivably your reseller could go out of business. For example, in south Florida last year, when reseller Supra stopped paying its bills to BellSouth, BellSouth called the reseller's 270,000 customers to tell them they would need to find a long-distance carrier other than Supra. After that, Supra declared bankruptcy. Nobody's phone service was disrupted, but customers faced the inconvenience of hunting for a new provider.



provider, thus avoiding monthly minimums, access charges, and extra taxes. Many cost less than 5 cents per minute, and you can save yourself from poking 11 extra numbers to make a call by programming the access number into your phone.

Use a telephone directory or the Internet, not an operator. Put an end to those \$1 and \$2 charges for directory assistance by getting numbers from www.switchboard.com or www.infospace.com.

Bundle your business. Major carriers now offer packages that bundle long-distance and local plans. By giving the carrier all of your business, you become a high-volume user who gets a break on charges. Some companies will add a wire-

less or digital subscriber line and Internet access. We asked TeleBright to find companies offering the lowest bundled rates for a household using 25 hours of home-phone service, both long-distance and local, per month. The winner: MCI, which charges only \$61 for its Neighborhood Plan.

Use cell-phone minutes strategically. If you have a wireless phone with a plan that includes lots of low- or no-cost long-distance minutes on nights and weekends, use them to make long-distance calls instead of your landline.

Try a reseller. Rates as low as 2.5 cents per minute are available at an online service, onesuite.com. When we asked TeleBright to find wholesalers

with low rates, they came up with Capsule Communications, which charges 3.9 cents per minute plus a \$2 charge for bills under \$20 (unless you pay over the Internet), and PowerNet, which charges 5.4 cents per minute without a monthly minimum. (For more on the pros and cons of resellers, see the box on page 26.)

Call by Internet. Internet telephony can offer the greatest savings of all, if you already have a high-speed connection. Generally, you have to call from one computer to another, but Vonage, an Edison, N.J., firm, allows unlimited local and national long-distance calls for \$40 per month plus a \$30 activation fee using an ordinary telephone. CR

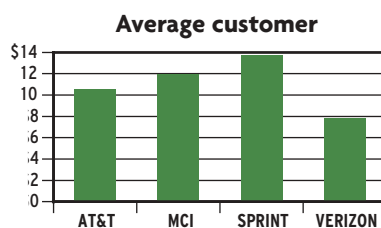
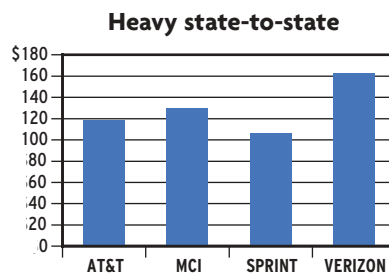
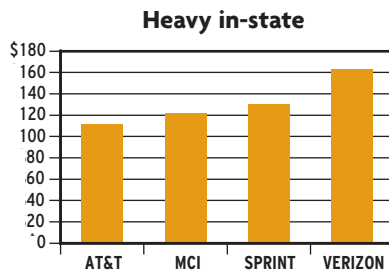
Which carrier costs least?

To determine which major carrier offers the lowest bill, we created three typical customers.

The first uses 1,200 minutes per month of in-state long-distance and 300 minutes of state-to-state long-distance. The second customer had the reverse pattern. The third is the usage of a typical customer derived from Federal Communications Commission data.

TeleBright, the Rockville, Md., phone data researcher, calculated the bills for each customer under the least expensive 24-hour, 7-day-a-week plans available. No one carrier was consistently the least expensive. The cheapest total for each customer type is indicated in boldface type.

Costs were calculated for the 225 exchange in the 212 area code.



PROVIDER	CHARGES	HEAVY INTRASTATE USER	HEAVY INTERSTATE USER	AVERAGE CUSTOMER
AT&T	State-to-state charges	\$21.00	\$84.00	\$4.13
	In-state charges	84.00	21.00	2.00
	Monthly fee	3.95	3.95	3.95
	Universal service fees	2.31	9.24	0.45
	Total	\$111.26	\$118.19	\$10.53
MCI	State-to-state charges	22.61	90.30	4.13
	In-state charges	90.30	22.61	1.40
	Monthly fee	5.95	5.95	5.95
	Universal service fees	2.71	10.84	0.50
	Total	121.57	129.70	11.98
SPRINT	State-to-state charges	16.15	64.50	2.95
	In-state charges	103.20	25.84	1.60
	Monthly fee	8.95	8.95	8.95
	Universal service fees	1.60	6.39	0.29
	Total	\$129.90	\$105.68	\$13.79
VERIZON	State-to-state charges	30.00	120.00	5.50
	In-state charges	120.00	30.00	1.90
	Monthly fee	0.00	0.00	0.00
	Universal service fees	12.75	12.75	0.46
	Total	\$162.75	\$162.75	\$7.86

Source: TeleBright

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