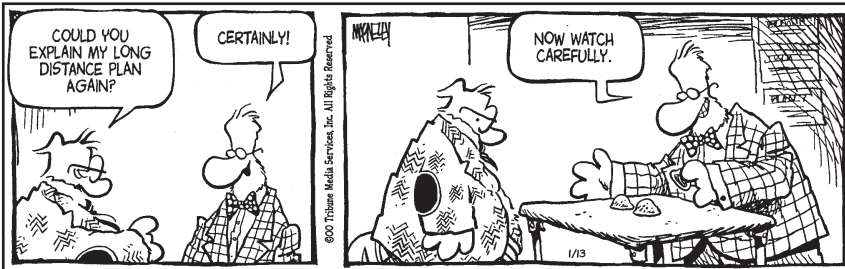


CUB's Real Deal Guide to Long Distance

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Anyone who has shopped for long-distance service knows this shell game all too well. The many plans out there all claim to be great deals, but this guide can help you separate the money-savers from the rip-offs. CUB's Telecommunications webpage has special online tools for finding affordable long-distance rates. Just look under "Comparison Shop for Phone Plans With CUB's Long-Distance Calculators."

What is a long-distance call?

Illinois is divided into 17 local phone markets, called local access and transport areas, or LATAs. Calls to places outside your LATA are long-distance calls. Calls within your LATA are local calls.

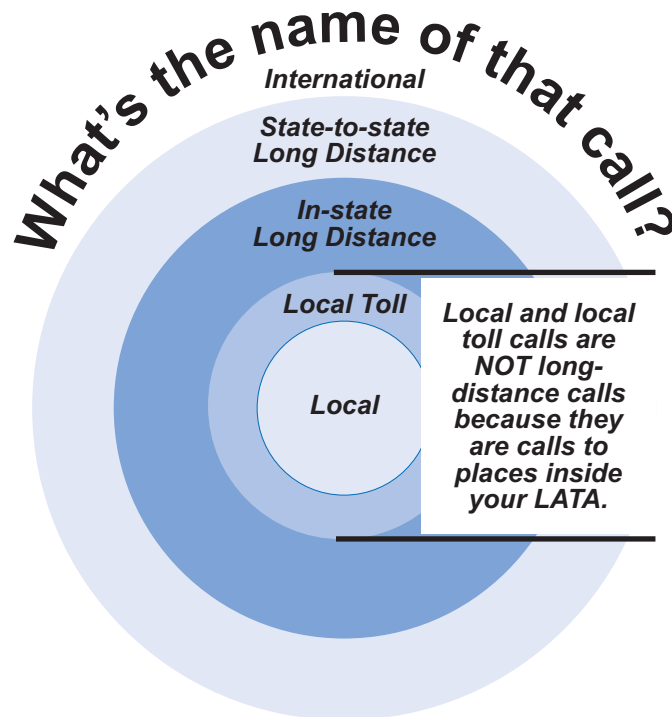
There are three kinds of long-distance calls: instate, state-to-state, and international. These rates are not regulated, so long-distance companies are free to charge whatever they like.

You're making an instate long-distance call when you talk to someone who lives in Illinois but outside of your LATA. "Interstate," or state-to-state, long-distance rates apply when you call someone in another state. International long-distance rates apply when you call someone outside the United States.

What is a local toll call?

Local toll calls are the farthest calls you can make within your LATA—roughly 15 miles and beyond. A "local toll," or "local long-distance," call is handled by your local phone company, but you can choose to use a long-distance, 10-10 "dial-around," or prepaid card provider at much lower rates. For example, AT&T/SBC charges 16 cents a minute for a local toll call while some companies charge as little as 4 cents a

minute. Most long-distance companies do not provide local toll calling separately, which means you may have to buy it as part of a package that also includes long-distance service.



What kind of long-distance plans are there?

In addition to plans that offer a certain per-minute rate for long-distance calls, there also are flat-rate plans. Such plans offer a certain amount of, or unlimited, long-distance calling for a set monthly fee. Some also include local service and special features, such as voice mail.

Which plan is better?

It depends on your calling patterns. Flat-rate packages are best for high-volume callers (more than 300 local and long-distance calls per month) and/or those who want a lot of special features. Typical telephone customers don't make enough calls and don't want a lot of special features to justify the price of a flat-rate package. Plus, a flat-rate package charges you the monthly amount even if you're on vacation for a month and don't make any calls. Don't get fooled; the advertised rates often don't reflect taxes and surcharges, which can add 20 percent or more to your bill. You might be better off

Per-minute vs. Flat Rate

You would have to make 700 minutes, or more than 11 hours, of calls each month just to save money on a \$30 fixed-rate long-distance plan, compared with a 5-cents-per-minute plan. You can find long-distance rates of 4 cents a minute or less.

Monthly Minutes	\$30 fixed rate*	5-cents per minute*
60	\$30	\$3
120	\$30	\$6
300	\$30	\$15
500	\$30	\$25
700	\$30	\$35

*Prices do not include taxes and surcharges.

staying with your local phone company's standard rates and a low-priced long-distance plan such as the ones listed at the end of this guide.

How do I know if a flat-rate package is right for me?

Analyze your phone bills over several months to estimate how many minutes of long-distance calls you make in a month. If the flat-rate package you are considering would include local phone service, check out your local bills to come up with a monthly average of how much you spend on those calls. Ask yourself if you want any special calling features, such as caller ID and voice mail. Then compare what you would pay for a flat-rate plan versus standard local phone service, a low per-minute long-distance plan, and buying any special calling features separately.

Again, many callers will find a flat-rate plan is not right for them. Remember, long-distance plans for 4 cents a minute or less are available. However, just like with flat-rate plans, extra charges can inflate those advertised per-minute rates.

What extra charges?

There are monthly *fees* and *minimums*. The most

common of the two is the monthly fee. For example, "Sprint Nickel Anytime" charges \$8.95, even if you don't make any calls in a month.

A minimum charge requires you to spend a certain amount on long-distance calls each month. For example, a \$9 monthly minimum means that you get billed \$9 even if you don't make any phone calls. If you make \$1 or \$2 or \$8.99 in long-distance calls, you will get billed for the additional amount up to \$9.

What about other pitfalls?

Beware that the per-minute rates of a plan may change depending on what time of day you call and whether you're calling somebody in Illinois or outside the state. Also, a company may charge callers in one-minute increments. That means if you call somebody for three minutes and one second, you're billed for four minutes. Other plans may offer lower billing increments, such as six seconds.

Watch for special restrictions. Some plans offer a great rate—if you pay your bills online. New Voice Over Internet Protocol, or VoIP, technology is offered by several companies at much lower prices than traditional phone companies. However, because the technology carries calls over the Internet, customers who subscribe to a VoIP plan also must subscribe to a cable-modem or Digital Subscriber Line (DSL) at an extra \$30 or more a month.

What about taxes and surcharges?

Remember, taxes and surcharges can add up to 20 percent or more to the advertised price of a long-distance calling package—so don't be fooled by the sales pitches.

There's not much you can do about government-mandated taxes, which are difficult to eliminate. For example, the 3 percent federal excise tax on all local and long distance bills survived several attempts to kill it since being created to fund the Spanish-American War. In fact, it wasn't until May 2006, more than 100 years later, that the U.S. Treasury Secretary decided to drop the tax after losing a series of court cases, brought on by corporate lawsuits, challenging its legality. Unfortunately, the legal dispute only covered the tax on long distance service, allowing the tax to live on through your local phone bill.

Other fees are NOT mandated by the federal government even though they have misleading names that make them sound like they are (i.e. the FCC line charge and the regulatory assessment fee). CUB has joined with other consumer groups in asking the Federal Communications Commission to ban

long-distance and wireless surcharges that are not government-mandated and are simply a clever way for phone companies to pad their bottom lines. Instead of charging separate line item fees, a company should include them in the per-minute rates or the flat monthly fee of a calling package so consumers see the true cost .

What is the Universal Service Fee (USF)?

There are two USF surcharges on phone bills. The federal Universal Service Fee (USF), also called the “Universal Connectivity Charge,” covers a phone company’s federally mandated contributions to a fund to keep phone service affordable in rural and low-income areas, and to broaden Internet access for schools, libraries and rural health-care facilities. Companies pay a certain percentage of their revenues into the fund, with that percentage changing every quarter based on projected need.

The Illinois USF goes to a state fund to keep phone service affordable in rural areas. Customers are charged a certain percentage of their in-state calls, which is determined annually by a fund administrator, based on each company’s revenue for calls within the state.

Aren’t the big long-distance companies my best bet?

Not necessarily. Sprint and AT&T have some of the highest rates in the industry—especially their “basic” plans, the default plans you get if you don’t tell the company you want another plan. The plans at the end of this guide are from smaller companies. That doesn’t mean the service these companies offer is any less reliable than the major companies. For the most part, these companies use the same system of wires as do the major companies, and many of these smaller companies simply resell the service of the major companies at lower rates.

Am I required to have a long-distance company?

No. If you make few long-distance calls, consider dropping your long-distance plan altogether and going with a “dial-around” (or 10-10) number or a prepaid calling service. Remember, dropping long-distance service means you can no longer dial “1” plus the area code and telephone number to make a long-distance call. Instead, you will have to dial extra numbers through a prepaid calling card or a 10-10 number to make long-distance calls from your home. You can find low rates with both options, but

beware. There are a lot of rip-offs out there.

If you drop your long-distance carrier, contact your local phone company to make sure that the change is made and you don’t continue to get charged by your old long-distance company. Your local company will charge you a one-time fee to cancel your long-distance service. SBC/AT&T charges \$5.43.

Are 10-10 numbers a good deal?

Dialing a 10-10, or dial-around, number connects you with a long-distance carrier different from the one you chose when you signed up for phone service. It also allows you to make a long-distance call if you don’t have a long-distance carrier. The charges for such calls will show up on your monthly phone bill.

Beware of hidden fees or minimums that inflate your costs. For example, 10-10-220 (owned by Telecom*USA, a subsidiary of MCI) charges a minimum of 99 cents for all calls 15 minutes—or less. (Any call over 15 minutes is 15 cents a minute.) So, a three-minute call costs 33 cents a minute. Clear Choice’s 10-10-636 offers a 5 cents a minute state-to-state rate—along with a \$2.95 monthly fee. So 20 minutes of out-of-state calls don’t cost \$1, but \$3.95—plus taxes and surcharges.

Acceris Communications (10-10-834) offers an even better 3 cents per minute rate for calls in the United States and to several foreign countries, such as Canada, France, and Germany. However, it also includes a 39 cent “connection fee” for each call, so don’t use it unless you plan to talk for at least 25 minutes. Plus, the fine print states that in the months you use the card, if you are billed the 10-10 charges via your local phone bill—as opposed to a separate bill—you will pay a \$2.50 fee for any usage below \$3, before taxes. (To avoid this fee, call the company, at 1-800-569-8700, to arrange for a separate bill or online billing by credit card.)

Are prepaid calling cards a good deal?

You can buy prepaid calling cards at convenience stores, post offices, and on the Internet. The cards, which carry instructions that require you to dial extra numbers to complete a call, sell you a specific amount of long-distance calling time at a specific price. Some cards allow a user to recharge them for more calling time over the phone, on the Internet, or at the store.

Unlike a 10-10 number, with a prepaid card you don’t get a bill afterwards. And you can call from any phone, even one outside your home. But there are cards that give poor service and hidden monthly fees

or minimums will inflate low advertised rates.

You can find a calling card for less than 4 cents a minute. But be sure to read the fine print and remember that a surcharge for calls made from payphones (or hospitals, dormitories, hotels, other commercial places, and even homes without a long-distance provider) can be the only downside to an otherwise good deal. You should also factor sales tax into any per-minute rate.

OneSuite.com's prepaid service is less than 3 cents a minute, with a 55 cent payphone surcharge. Costco sells an MCI card for about 3 cents per minute, but when used on a payphone you will be charged 23 minutes in addition to the amount of minutes you talk. Sam's Club advertises an AT&T card for about 3.5 cents per minute—with a 35 minute charge, in addition to the minutes you use, each time call from a payphone and there is a 15 percent "recharge fee" if you add more minutes to the card over the phone.

If the rate per-minute is not labeled on the card, don't assume low rates. Do the math. Before buying a card or subscribing to an online prepaid service, read the fine print for any restrictions, such as an expiration date or no instate calls. Be on the lookout for any red flags that point to a disreputable company that could go out of business before you have used up your calling time. The card should have clear instructions and it should display a working toll-free number you can call if there are problems. Give the number a call. A busy signal could be a bad sign. If you are intrigued by an offer but have doubts, buy the smallest amount of calling time possible to test the card.

What about international calling?

International calling rates can vary widely—from a few cents to a few dollars per minute, depending

Where can I find more information?

There are several good sources of information on long-distance rates. Here are a few:

www.CitizensUtilityBoard.org—CUB's website includes a tool that analyzes your individual calling patterns and selects plans that are best for you. It also contains links to several organizations that provide free long-distance rate comparisons.

www.abtolls.com—A clearinghouse of long-distance and international rates as well as links to the websites of long-distance providers. The site also has advice on how to avoid prepaid calling card scams.

www.1010phonerates.com—Provides rates for 10-10 dial-around numbers as well as tips on how to avoid rip-offs.

www.fcc.gov—The website of the Federal Communications Commission (FCC) provides information on long-distance service and how to avoid rip-offs.

on the plan, the country, and even on what part of the country you are calling and when you call it. Avoid operator-assisted calls, because those have extremely high rates. Instead, choose a discount calling plan, a 10-10 number, or a prepaid calling card.

If you have a low-priced long-distance plan, don't assume that it also has good international rates. Check with your carrier and then shop around at the many websites that display international rates. (CUB's website, as well as www.abtolls.com are two examples.) If you don't make a lot of international calls, you may want to go with a prepaid card or 10-10 number. If you call several different

countries, you may want to have a combination of options to get the lowest rate possible, depending on what country you're calling. Whatever you're considering, scan the fine print and call the company to make sure you know exactly what you're paying. International calling rates can have a lot of charges tacked on—monthly fees, connection fees, even a charge of 20 cents per minute or more for calling cell phones overseas.

How do I make an international call?

You'll have to dial more numbers than the standard long-distance call—unless you're calling Canada or the Caribbean, which only require "1", plus the area code, plus the phone number. Other international calls from the United States require you to dial an access code ("011" for the United States) plus the "country code" (different for each country), plus the area or city code, plus the phone number. You can find these codes easily on the Internet. Beware: Making a high-priced operator-assisted call differs by only one number! (Dialing "01" instead of "011" at the beginning.)