

Wireless carriers tell FCC they disclose fees

(AP) -- cThe nation's biggest wireless carriers are telling federal regulators that they give consumers adequate notice about early termination fees that apply when a service contract is broken before it expires.

AT&T Inc., Verizon Communications Inc., Sprint Nextel Corp., T-Mobile USA Inc. and Google Inc. made their comments in letters filed with the Federal Communications Commission late Tuesday in response to an FCC inquiry into early termination fees.

The companies told the agency that such fees allow them to subsidize handset purchases - including purchases of cutting-edge smart phones - for customers. Wireless carriers normally recover those subsidies over the life of a contract, but cannot do that when a customer breaks a contract early.

In addition, the companies said the U.S. wireless industry is highly competitive - with four national carriers and a number of smaller providers all offering many choices of plans, including prepaid and month-to-month plans with no contract and no early termination fees.

"Customers clearly understand that they have choices," wrote AT&T Senior Vice President Robert Quinn. "While the vast majority of AT&T's subscribers choose term commitments and discounted or free handsets, AT&T has millions of month-to-month and prepaid subscribers."

For plans that do include termination fees, Sprint said it provides "clear and conspicuous disclosures" before, during and after a handset sale to ensure that consumers understand and agree to the terms of a contract. Vonya McCann, senior vice president of government affairs for Sprint, told the FCC that with so much competition among wireless carriers, Sprint has "every incentive to ensure that consumers are well-informed."

"The last thing Sprint wants is a surprised customer that is unhappy," McCann wrote. "An unsatisfied customer is much more likely to leave Sprint for another carrier."

For its part, Verizon told the FCC that it is changing the price cards displayed next to handsets in its stores to include early termination fees for each device. The company also said it has reduced the number of devices subject to its \$350 early termination fee. Late last year, FCC sent a letter to Verizon Wireless asking why the company had doubled early termination fees on smart phone contracts to as much as \$350 from \$175.

In its response to the FCC, Google addressed the agency's questions about why customers who use Google's new Nexus One phone on the T-Mobile network must pay fees to both companies if they break a contract.

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Richard Whitt, Google's Washington telecom and media counsel, explained that Google receives a commission from T-Mobile for new and upgraded wireless subscribers that it brings to T-Mobile with the Nexus One and that Google in turn passes this commission along to customers in the form of handset discount. When a customer breaks a contract before it expires, however, T-Mobile seeks a full repayment of the commission from Google and Google then passes that along to customers through an "equipment recovery fee," Whitt said.

Earlier this month, Google shaved \$200 off the equipment recovery fees that apply to customers who break a two-year T-Mobile contract after a 14-day trial period and before 120 days. Google lowered the \$350 fee that applied to new T-Mobile customers to \$150, and it lowered the \$250 fee for existing T-Mobile customers upgrading to the Nexus One to \$50.

Customers would still have to pay a separate \$200 early termination fee to T-Mobile to break a contract after the 14-day trial period and before 120 days. After that, the fee is prorated.

Thomas Sugrue, vice president of government affairs for T-Mobile, told the FCC that the company's early termination fees are not tied to specific equipment subsidies, but rather are intended to recover lost revenue resulting from a broken contract.

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