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No easy answer on AT&T service

Customers discover low rates hard to find

By Jon Van
Tribune staff reporter

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Many customers who called AT&T Illinois to get cut-rate phone service deals advertised in their November phone bills are being told the plans don't exist, leaving customers confused and AT&T embarrassed.

"There were a number of human errors and glitches," said Rob Biederman, an AT&T spokesman. "We've had everyone retrained--a second time--and we're monitoring the situation closely. We're committed to make this work."

The new low-cost phone service plans, which became available three weeks ago, are part of an agreement between AT&T and the Citizens Utility Board approved in August by the Illinois Commerce Commission.

In return for establishing three cut-rate phone plans and restraining rate increases for other plans, AT&T was freed from most traditional state oversight of what it charges consumers for phone service in Illinois.

While consumer phone bills could jump by as much as 50 percent during the next four years under this deal, savvy customers can actually slash their phone bills by signing up for the cut-rate plans, CUB's consumer advocates argued in supporting the deal.

But that logic falls apart if customers cannot actually sign up for the low-rate plans.

"It's very problematic," said David Kolata, CUB's executive director. "When the new plans became available, it seemed like nobody at AT&T knew anything about them. We got a lot of complaints. We've been meeting with AT&T, and they're working to fix this.

"Some people are still being told these plans aren't available, but it's better now than it was a week ago."

The new plans have attractive rates guaranteed not to rise for four years. Those rates vary according to where the customer lives and how much service is included.

Someone living in the city or nearby suburbs, for example, can get a basic service plan for \$6.03 a month that includes 30 local calls with a charge of 6 cents for each call beyond that. Those same residents can

get unlimited local calling and a choice of two features such as Caller ID or Call Waiting, for just \$19 a month.

CUB estimates that among the 1.6 million households in Illinois that subscribe to one of AT&T's calling plans, a large number are paying extra for services they've never used, such as three-way calling.

Many who now regularly pay \$60 and more a month for phone service could cut their bills nearly in half without sacrificing service if they change to one of the new cut-rate plans, CUB analysts believe.

Kolata said the new low-price plans haven't yet been listed on AT&T's Web site, so calling the company's service representatives is currently the only way to get the lower rates.

"Once these are on the Web site, you wouldn't have to go through a customer sales person, which would be good," Kolata said.

Biederman, the phone company spokesman, said AT&T hopes to have the new rates listed on its Web site by the end of the year.

"There are a lot of technical issues," he said. "It's harder to do than you'd think. We're working on it."

Kolata said customers who cannot get the new rates when they call AT&T can call CUB at 1-800-669-5556 for help.

"Our counselors can make a three-way call to AT&T and assure that the consumer gets signed up for the plan he wants," Kolata said.

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Many phone bills to rise; more bumps on horizon

AT&T boosting basic line fee by \$1 a month

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Phone bills for more than 800,000 AT&T Illinois customers will rise by at least \$1 a month in March, with the prospect of more increases to come.

The immediate price bump stems from a \$1 a month charge AT&T is adding to its basic network access line fee. The company is also boosting charges for call waiting by a dollar a month and increasing charges for caller ID as well.

Rising phone bills at a time when AT&T competes vigorously with Comcast Corp., Chicago's dominant cable TV operator, suggests that, contrary to expectations, competition won't translate into lower prices for consumers.

Illinois' situation appears to fit a national trend. A telecom industry study last month by Banc of America Securities noted that year-over-year pricing for core services by all Bell companies was up for the first time since the surveys began.

"Carriers are enticing lower-end customers to migrate up the value chain by raising low-end pricing and lowering higher-end pricing," wrote David Barden, a Banc of America analyst.

AT&T's Illinois increases were forecast last August in a deal approved by the Illinois Commerce Commission. At that time, an estimated 830,000 residential households subscribed to the measured rate service affected by the price hikes. Under the deal's terms, further dollar-a-month hikes can be expected in 2008 and 2009.

Long-distance charge increases and a proposed hike in a fee sanctioned by the Federal Communications Commission may also drive phone bills higher.

Residential customers who spend more than \$30 a month on phone service, buying unlimited local calling packages often bundled with high-speed Internet, aren't affected by AT&T's latest increase, although they will feel other monthly charges under consideration.

"Our bundled rates aren't increasing," said Virgil Pund, vice president and general manager for AT&T Illinois. "The majority of our customers have gone the route of bundles and package plans."

Customers who don't use their phones a lot can leave standard metered service, which is going up in price, for one of the safe-harbor packages AT&T established in a deal with the Citizens Utility Board last year, Pund said.

The least expensive no-frills safe-harbor plan charges \$6.03 a month to Chicago residents and includes 30 local calls. Additional local calls cost 6 cents apiece.

CUB is actively promoting the safe-harbor plans as a means by which consumers can reduce phone bills despite AT&T's increased charges, said Jim Chilsen, a CUB spokesman. Consumers complained last year that AT&T customer service representatives often declined to discuss the safe harbor plans, but the situation has improved significantly, he said.

"Consumers can call CUB at 1-866-688-4282 for counseling on which plan can save them money," Chilsen said. "They should have their phone bill out to give us the information we need to help them."

For most customers, phone service packages offered by Comcast wouldn't result in a lower phone bill, Chilsen said, because it doesn't cater to low-volume callers.

A Comcast spokeswoman said the company's least expensive calling package starts at \$33 a month. That product requires that customers also buy high-speed Internet and cable TV from Comcast. A few months ago Comcast hiked its core cable TV bill by 4 percent.

Long-distance calling charges for lower-end phone customers, especially senior citizens, have jumped dramatically in the past year, said Bruce Kushnick, who operates the consumer advocacy Web site Teletruth.com.

AT&T, which was acquired by SBC Communications in 2005, has more than doubled its basic long-distance rate per minute since 2000 and added several charges, Kushnick said.

"They're taking advantage of brand loyalty to AT&T, especially among seniors, to charge far more than a customer would pay by switching to another service with an unknown brand name," Kushnick said.

Another phone-bill charge lurking on the horizon is the FCC Line Charge, a fee that phone companies use to help compensate them for fees they pay other carriers to complete long-distance calls. Once capped at \$3.50 a month, the ceiling was raised to \$6.50 in 2000, and a proposal before the FCC could boost it to \$10 a month.

The Illinois Commerce Commission filed an objection to the plan, saying it will hurt customers in states like Illinois, where local regulators have worked to reduce the complex subsidies that rural phone companies extract from urban consumers.

"The theory is that by raising the line fee, consumers will see a reduction in long-distance charges," said Jim Zolnierek, an ICC staff member. "But in practice consumers haven't seen much reduction, and customers who make few long-distance calls are unlikely to see any benefit."

AT&T readies rate increases

AT&T wants to raise connection rates, as well as rates for some services for customers with basic phone service who do not have a package or bundle deal. The plan would be enacted March 15.

PROPOSED RATE HIKES

SERVICES	CURRENT	PROPOSED	INCREASE
Connection, Area A (Downtown)	\$2.55	\$3.55	\$1.00
Connection, Area B (City, some suburbs)	5.53	6.53	1.00
Connection, Area C (Most suburbs)	9.00	10.00	1.00
Caller ID	4.78	5.59	0.81
Caller ID name recognition	0.76	0.95	0.19
Call waiting	1.68	2.68	1.00
Talking call waiting	1.88	2.88	1.00

Sources: AT&T, ICC, Tribune reporting
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