

**Before The
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Board on)	
Universal Service)	CC Docket No. 96-45
)	
1998 Biennial Regulatory Review -)	
Streamlined Contributor Reporting)	
Requirements Associated with)	
Administration of Telecommunications)	CC Docket No. 98-171
Relay Service, North American Numbering)	
Plan, Local Number Portability, and)	
Universal Service Support Mechanisms.)	
)	
Telecommunications Services for)	
Individuals with Hearing and Speech)	
Disabilities, and the Americans with)	CC Docket No. 90-571
Disabilities Act of 1990.)	
)	
Administration of the North American)	
Number Plan and North American)	CC Docket No. 92-237
Numbering Plan Cost Recovery)	NSD File No. L-00-72
Contribution Factor and Fund Size.)	
)	
Number Resource Optimization)	CC Docket No. 99-200
)	
Telephone Number Portability)	CC Docket No. 95-116
)	
Truth-in-Billing and Billing Format)	CC Docket No. 98-170

AFFIDAVIT OF MARC-DAVID L. SEIDEL, Ph. D.

State of Texas County of Travis City of Austin

Marc-David L. Seidel, being duly sworn, hereby deposes and says:

PROFESSIONAL QUALIFICATIONS

1. I am an Assistant Professor of Management at the University of Texas, McCombs School of Business, where I teach at the MBA, Executive, Ph.D. and Undergraduate levels.

2. I am a founder of A Bell Tolls, LLC, a leading e-retailer of telecommunication services and consumer long distance telephone service comparison website. In that capacity, I have had direct and indirect communications with thousands of consumers who use my service for information on purchasing long-distance telephone services and who receive my free periodic newsletter. In addition, I am the founder and president of Airlines of the Web, LLC - the first airline portal on the Internet, which has been online since 1994.

3. I received my B.A. in Economics with a concentration in Law & Society at Cornell University; my M.B.A. at the Johnson Graduate School of Management, Cornell University; and my M.S. and Ph.D. in Organizational Behavior and Industrial Relations at the Haas School of Business, University of California at Berkeley.

4. My current research interests include social networks and electronic communities. Recent publications include "Second-order Imitation: Uncovering Latent Effects of Board Network Ties," with James Westphal and Katherine Stewart (*Administrative Science Quarterly*, 46:717-747); "Friends in High Places: The Effects of Social Networks on Discrimination in Salary Negotiations," with Jeffrey Polzer and Katherine Stewart (*Administrative Science Quarterly*, 45:1-24); and "Offering a Job: Meritocracy and Social Networks," with Trond Petersen and Ishak Saporta (*American Journal of Sociology*, 106:763-816 ----Version 2).

5. My writing has been published in the major journals of the management field including *Administrative Science Quarterly*, *Strategic Management Journal*, and the *American Journal of Sociology*. My work and websites are frequently cited in the media including the *NY Times*, *Wall Street Journal*, *LA Times*, *Washington Post*, *ABC*, *CBS*, *NBC*, *Fox*, *MSNBC*, and *CNN*.

OBSERVATIONS CONCERNING THE EFFECT OF LINE-ITEM SURCHARGES ON CONSUMER BEHAVIOR AND CONSUMER CONFUSION

6. In displaying the long-distance rates of hundreds of telephone companies on our web site, we have had to factor in the individual USF rate for each rate component of each company in order to display an accurate and comparable rate for minutes of use and monthly fees.

7. A Bell Tolls regularly receives inquiries from confused consumers, regarding USF and other line items that appear on telephone bills.

8. I have personally called long distance companies to ask for an explanation of USF charges, in order to put myself in the shoes of a telecommunications consumer. Upon making such calls, I have observed that customer service representatives frequently are confused themselves, and they often proceed to describe the line item incorrectly. Most recently, an MCI/WorldCom telemarketer called me directly to offer MCI's Neighborhood plan. I asked questions regarding the USF fee, to which he responded (after suggesting 3 different potential rates and having been unable to identify the portions of the bill to which the USF line item applied), "you have to wait for the first bill to see exactly how much we will charge". On many other occasions, customer service representatives incorrectly tell consumers that the USF is a "tax". Given current trends that I have observed in the telecommunications industry, I find it unlikely that carriers -- whether large or small, whether ILEC, CLEC, IXC or CMRS -- will ever commit the resources necessary to properly train and monitor their customer services representatives, let alone make them easily available to consumers. For that reason alone, telephone rates and charges must be simple and not require explanations from telephone companies.

9. In my expert opinion, the variation and complexity of USF line items does substantial damage to telecommunications competition for at least two reasons. First, the more complex a pricing scheme becomes - the more

difficult it becomes for consumers to compare rates and make rational choices. This is confirmed in comments we regularly receive from users who thank us for cutting through the confusion by standardizing the rate presentation to include all carrier specific fees in set categories. Nevertheless, the variation between the actual rates charged and the advertised rates continues to cause a great deal of consumer confusion. Second, the practice of recovering USF contributions by means of a separate line item decreases potential competition because companies do not seek to compete to absorb as much of the USF contributions as they might. In other words, if telephone companies were required to recover USF contributions through increases to their advertised rates, there would be an incentive to minimize such rate increases. Then, USF contributions would represent just another cost of doing business and be subject to competitive pressure.

10. It is easy for consumers to confuse a line item charge for USF (or whatever it is called by each company) with a governmentally required tax. The majority of consumers have not been aware that the rates charged in that line item are company specific charges and frequently are different than the required USF contribution rate.

RECOMMENDATIONS

11. The Commission's December 13, 2002 Order was an important step toward reducing consumer confusion in that it would eliminate the variation among the

rates charged by different carriers who all pay exactly the same contribution factor to support the fund. However, it would be preferable if companies were required to recover their contributions as a cost of doing business and incorporate the cost into their advertised per-minute and monthly rates. If separate USF line items are to be allowed to remain on telephone bills, another measure that would reduce consumer confusion would be to require a uniform label for such line items.

12. If the FCC allows separate USF line items on customers' bills, the carrier should be required to charge the same standard percentage rate on usage that all companies are required to charge. An FCC-mandated per-customer charge that did not vary with usage would be a regressive tax on low usage and lower income individuals.

13. Such requirements would substantially reduce consumer confusion and enable full competition based on accurate information. Any truly competitive market depends upon ready access to accurate information. In my opinion, this should be an important element in the Commission's actions to promote Congress' policy of creating a truly competitive market in telecommunications services in the United States.

14. Given the proliferation of other state and federal line items on the telephone bills of consumers in the United States, the Commission should seek to ensure that any regulation pertaining to USF line items does not result in the migration of

such cost-recovery to other company-specific line items. In other words, the Commission should require that any company-specific fees be labeled as a rate component of the company itself and be properly disclosed in any advertisement or description of the rates for all applicable services. Ideally this should break down into only 2 categories - fixed monthly fees in the form of MRC and per minute charges for various types of calls. There should be no other company-specific charges on the bill.



Dr. Marc-David Seidel

State of Texas)
)
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County of Travis)
City of Austin)

Sworn to before me this
14 day of February, 2003



NOTARY PUBLIC

My commission expires: 4/13/04

