LAW OFFICES OF SCOTT A. BURSOR
500 Seventh Avenue, 10th Floor
New York, NY 10018
(212) 989-9113 (tel)
(212) 989-9163 (fax)

June 30, 2006

Ms. Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Cellular early termination fees, WT Dockets 05-193, 05-194
Ex Parte Submission of Harold P. Schroer

Dear Ms. Dortch:

I represent Harold P. Schroer, a claimant in AAA arbitration No. 11 494 01274 05, which involves a dispute concerning Verizon's early termination fee ("ETF"). I also represent Wireless Consumers Alliance (WCA) and a number of individual consumers interested in the proceedings on these dockets.

On June 28, 2006, during a keynote presentation at The Yankee Group's 2006 North American Wireless Leadership Summit in New York, Denny Strigl, president and chief executive officer of Verizon Wireless, announced that Verizon Wireless will begin to pro-rate the ETF for customers nationwide in the fall. The text of Mr. Strigl's speech is attached hereto as Exhibit A. The Verizon Wireless press release discussing Mr. Strigl's speech and the new pro-rated ETF is attached hereto as Exhibit B. Various press accounts of Mr. Strigl's comments are attached hereto as Exhibits C through E. Mr. Strigl's comments directly contradict statements that Verizon Wireless and CTIA have made to the Commission in these proceedings in several significant respects.

First, CTIA had previously advised the Commission, through a declaration by Harold Furchtgott-Roth, that there are "a relatively small and declining number of complaints plausibly related to ETFs," and that "[m]ost American consumers … never complain about ETFs." 6/6/06 Furchtgott-Roth Decl. at 2-3. Mr. Strigl's comments are strongly to the contrary. Mr. Strigl stated that "dissatisfaction with flat early termination fees is tarnishing the entire industry." Exh. B, at 1. "'The number of complaints on this issue is the single largest that our customers have,' Strigl said in an interview before the speech, referring to the termination fees as a 'black eye' for the industry. 'It's a legitimate complaint: If they leave in month one or month 23, they pay the same charge.'" Exh. C, at 2. *See also* Exh. D, at 1 ("'It's the No. 1 complaint customers in the industry have,' Strigl said before speaking at a Yankee Group conference in New York. 'We've dragged our feet on this long enough. It's time the industry removes the black eye it has over this issue.'").

Second, Verizon Wireless has submitted testimony by Professor Jerry Hausman arguing that "consumers benefit substantially" from ETFs and that consumers actually have a "preference" for contracts with ETFs. 10/19/05 Hausman Decl. ¶ 6. Mr. Strigl's comments contradict Professor Hausman's testimony by acknowledging that ETFs are, in reality, a "black eye" on the industry and a subject of widespread consumer dissatisfaction.

Third, Professor Hausman suggests that ETFs should be exempted from any challenge or possible alteration in order to avoid price increases. *See* 10/19/06 Hausman Decl. ¶¶ 22-35. But according to Mr. Strigl, Verizon Wireless's shift to pro-rated ETFs will have "a very minimal cost of revenue impact." Exh. E, at 1 ("'It's a very minimal cost of revenue impact,' Strigl said at the sidelines of the conference."). Professor Hausman, of course, never even considered the possible revenue impact of a pro-rated ETF or any other type of ETF. In any event, with "a very minimal cost of revenue impact," Verizon Wireless's decision to pro-rate is unlikely to have any detrimental effect on prices.

Taking a broader view, Mr. Strigl's recent announcement and comments call the very purpose of these proceedings into question. Why should the Commission go to such great lengths to fundamentally rewrite the balance of state and federal authority just to protect flat-fee ETFs of dubious legality which have been irking customers and tarnishing the entire industry? If Verizon's recent enlightenment on this issue is any indication, these flat-fee ETFs will soon be extinct. The Commission should not devote its energy, attention, or authority to defending a dubious practice that industry leaders are abandoning.

Very truly yours,

/s/ *Scott A. Bursor*
Scott A. Bursor

<u>Attached Exhibits</u>

A. 6/28/06 Text Of Strigl Speech

B. 6/28/06 Verizon Wireless Press Release, "From Yankee Group Summit, Verizon Wireless CEO: Verizon Wireless To Pro-Rate Early Termination Fees; will Add New Customer Loyalty Benefits"

C. 6/28/06 Forbes.com, "Verizon Wireless To Ease Up On Fees"

D. 6/29/06 Atlanta Journal-Constitution, "Verizon Liberalizes Cancellation Fees"

E. 6/26/06 Reuters, "Verizon Wireless To Moderate Early Exit Fee Policy"

EXHIBIT A

The Yankee Group

2006 Wireless Leadership Summit: Predicting the Impact of Wireless Disruption on Telecom, Media and the Enterprise

Denny Strigl

June 28, 2006

Thank you, Keith ***(Keith Mallinson, EVP of The Yankee Group)*****. It's always good to be back at The Yankee Group.**

This is a new batting order for me. Typically, I have opened the conference or kicked-off one of the days. Closing gives you a whole new perspective.

Opening feels like throwing out the first pitch – setting a tone for the ball game. Closing feels like batting clean-up in the bottom of the ninth, when everybody is anxiously awaiting your wrap-up – one way or the other.

Judging from your very full agenda, it would be difficult for me to wrap-up – to tie a bow around all of the good discussion and insights of the last two days.

Rather, let me throw out a few additional thoughts for your consideration.

Perhaps this IS the best slot on the agenda after all. I get the last word – at least before Keith.

I'll start with the agenda: the phrase 'wireless disruption' caught my eye. On the surface, disruption is a rather negative word to be coupled with such a positive phenomenon as wireless.

On second thought, I like it.

Upsetting the status quo of the communications establishment – that's just what wireless has done in the last 20 years.

- **In some cases the disruption took the form of substitution – substituting wireless for plain old telephone service.**
- **In other cases, the disruption has had the effect of expanding the overall communications market – as we saw when people got comfortable with computers in their office and home, they wanted that same Internet access when on the go.**

- **And in other cases, the disruption translates to convergence – whichever of the many convergence definitions you choose.**

Whether you call it disruption, substitution, expansion, or convergence – what we're really talking about is competition.

Surely there is intense competition today between and among wireline, wireless, cable and IP voice carriers. You just spent the last two days quantifying and qualifying its effect on the wireless ecosystem.

And that's a good thing. Because the result of all this competition is that the customer is communicating more…with increased control… and with greater bandwidth.

It's interesting to note that, at the root of it all, wireless has had a transforming impact – a Guttenberg-like effect – on how communications are delivered. And, more fundamentally, on how we communicate:

going from a location-to-location medium to a person-to-person medium.

So wireless has had a disruptive – I call it transforming – effect. What's next? Now that penetration has reached 70-plus %, what's the next big thing for wireless?

Or is there a next big thing? Are we on the same sort of diminishing path as telcos' plain old telephone service of years gone by? Will we be victims ourselves of another disruptive technology?

Not if we keep transforming our business – and we do that by transforming our value to customers.

I have four thoughts on how we do that:

<u>First</u>: Transforming trends going forward will look different than past transformations. And our industry has had several in the last two decades:

- **Going from trunk phones, to suitcase phones, to brick phones, to ultra-skinny phones.**

o From no roaming, to ultimately seamless roaming.

o From catering to a few that could afford it…to serving the mass market.

o From 1G analog voice, to 2 G simple data to 3G broadband speeds.

Some may not consider these transformations, but they were…they were watershed trends, each of which vaulted the industry's growth to new heights.

Why? Because each of these multiplied the value of our product – the value of mobile communications – to the customer.

I guarantee you that if we had stopped our innovating with the brick phone, our penetration would not have broken through the early-adopter crowd.

Big-ticket transforming trends had two characteristics until now:

They happened over a long period of time and they weren't tied to one specific product or service.
- **Each trend had broad, mass market appeal, driving overall wireless penetration wider and wider – from zero to 70% -plus in 20 years.**

Conversely, look for future big- ticket transforming trends to:

- **Happen over shorter periods of time – as the pace of technology quickens.**
- **And, these trends will have narrower, more customized appeal – driving wireless penetration deeper and deeper within certain segments.**

Which leads to my <u>second</u> point: we need a constant stream of applications and content because there won't be any one single earth-shattering application that will transform value for everyone.

A few examples:

Who ever thought the iPod would be the greatest thing since beer? True. A recent survey of college students determined that iPods have replaced beer as the #1 thing on campuses.

I use that example for 2 reasons:

- **The portable music player has grown into a transforming application for the Apple computer.**
- **But I also believe that the popularity of the iPod – as a trend – bodes well for our V CAST <u>mobile</u> music service to become one day a transforming trend for the cell phone.**

Now, remember that I said that future transforming trends will come from applications that appeal to discreet or narrow segments – driving penetration and usage not necessarily broader but deeper.

So we don't look for mobile music to be THE end-all transforming application for all customers – but it could be one that transforms value for one segment of customers. And mobile music will reside alongside other value-driving trends – perhaps Mobile TV – trends that appeal to other or overlapping segments.

Last week I was quoted in the *Wall Street Journal* saying I questioned whether there will be a big market for mobile TV.

That quote led some to leap to the conclusion that I don't think there is a market. They missed the point.

Just to set the record straight, I DID say as the Journal reported, that I don't <u>know</u> if there's a big market for mobile TV.

"Big" is the operative word. Because I do see a very viable market for Mobile TV. Just how viable?

In the last month alone, the channel carrying World Cup coverage became the most popular channel on our V CAST service. It beat out all the comedy and entertainment favorites.

The stats prove that customers want video to their phones. That's why we're pursuing live, streaming TV to your phone with Qualcomm's MediaFlo, as we announced six months ago.

But do I see Mobile TV replacing plain old television? Do I see every man, woman and child watching their regular television shows on their cell phones? I don't think so. I don't see Mobile TV as a transforming trend for the television.

It could well be a transforming trend for the cell phone – adding value for a particular segment of wireless customers.

That's what I mean by a transforming trend. If products and services are done well – with appropriate

expectations set, and defined for what the service really is and not the end-all, be-all hype – they will significantly add value – transform value – for a particular customer segment.

My <u>third</u> point about transforming the value of our product: transformations in our business have been – and will be – all about the distribution of the applications and services – the network.

That statement may be codifying the obvious. But I'm always amazed when we introduce new technologies – whether voice or data – that many people think the wizardry is in the phone, the device.

Sure a steady stream of applications, content, and handset software and interfaces are absolutely key.

But the network is THE true enabler.

Nowadays, the concept for a wireless application takes on a life of its own long before the ability to do it

in real life. Like the Dick Tracy watch, it appears in the Sci-Fi scripts long before it is technically possible.

In the end, it's the network that brings the applications to life. It's not until we have the network components firmly in place – the geographic deployment, the speeds, the capacity, the bandwidth, the next generation of more bandwidth – that applications can come out of the sci-fi scripts and be used by real mortals – you and me.

The network is also THE differentiator:

- **A differentiator from other technologies as we've seen in the "disruption" phenomenon.**
- **Also a differentiator among providers. And customers get it – it matters.**

You may have seen our announcement with Lucent this week that Verizon Wireless is the first carrier to announce a commercial contract for Rev. A – and embark on our next network evolution.

You all know the technical specs, the significantly faster downlink speeds Rev. A provides. But my point here is that the network is not standing still. It's getting smarter and smarter. And that really is the next big thing for wireless.

The <u>fourth</u> and final component of transforming value for customers has nothing to do with technology.

In fact, all of the terrific technology you've talked about for the past two days doesn't work unless we listen to our customers on the basics.

As the leader in this industry, Verizon Wireless knows how important it is to listen to customers – and to adapt our business to their needs.

- **We saw it with the Wireless Directory, when we parted with the industry as customers told us loudly they didn't want a directory.**

- **We saw it with LNP, when we parted with the industry by supporting LNP as something some customers told us they did want.**

We're seeing it now with the ETF – or early termination fee. The ETF is an issue that increasingly is irking customers industry-wide.

I'm here to tell you that Verizon Wireless will be the first major U.S. carrier to commit to a national policy to pro-rate our ETF.

Specifically:

- **We will include new terms in our contract that will pro-rate the amount the customer has to pay if they leave us during their contract.**
- **We will do this for new and existing customers who sign a new contract.**
- **We're going to design the pro-rate so that the ETF for the customer goes down as the contract progresses – and at the same time we**

recover our handset subsidy and other up-front costs.

- **And, we will make this change this fall.**

Why are we going out of our way to help an exiting customer?

- **Because we believe dissatisfaction with flat ETFs is unfairly tarnishing the entire industry.**

Is it risky? No. Verizon Wireless has the most loyal customer base, as well as the highest LNP ratio of port-ins. And, we also know that the few customers who leave us often return.

For those very same reasons, we also have the most to gain:

- **So we will work even harder to continue to deliver the best network…the best service, so customers won't want to leave us in the first place.**

That's what competition is all about.

Now, it's counter-intuitive to do something for the customers that are leaving you – and at the same time, not do something for customers who stay.

So when we launch the ETF pro-rate in the fall, we will enrich our Worry Free Guarantee adding some commitments specific to our customers who pay bills with us on line.

Today we provide customers the ability to manage their account on line – so they always have access to bills, records and service choices. This is a great option adding simplicity and convenience.

For those customers we're going to add four commitments:

- **We will periodically assess customers' usage against their price plan. If we see that they're on the wrong plan, we will proactively notify** them and provide one-click access to change plans on the spot.

- **We will continue to make it easier for customers to upgrade their phone to the latest and greatest technology – as we did when we created New Every Two five years ago, and then with our standard user interface so you can change phones without having to re-learn how to navigate the features.**
- **Now, we'll not only give you a phone for free every two years. Customers with only a $49.99 price plan can upgrade their primary line handset after just 12 months for the then current promotional price and conditions.**
- **We will also, if the customer wants, store their phone contact list – for free – on our network, eliminating the need to reprogram their phone when they upgrade or lose it.**

- **Finally, if a handset fails after the manufacturer's warranty is up, the customer won't pay more than $50 to get a replacement phone.**

Each of these additions alone adds some value for the customer. But taken together, these commitments add tremendous value – and expand the customer's overall 'worry free experience' so much that they don't get to the ETF stage.

And that, too, is what competition is all about.

So, I'll go back to the premise I started with: can we continue to transform this business and be a disruptive force?

The answer depends on what we do with that intelligence in our networks – <u>and</u> the intelligence our customers are feeding to us – to provide compelling new services that deliver compelling value for them.

Thank you. I think we have time for a few questions, and have a safe trip home.

# # #

EXHIBIT B

From Yankee Group Summit, Verizon Wireless CEO: Verizon Wireless To Pro-Rate Early Termination Fees; Will Add New Customer Loyalty Benefits

More Value for Customers is Key to Transforming Wireless

Media Contact Info

Nancy Stark
Nancy.Stark@verizonwireless.com
908-559-7520
908-229-4499 (wireless)

Robin B. Nicol
Robin.Nicol@verizonwireless.com
908-559-7515
908-227-4959 (wireless)

06/28/2006

NEW YORK, NY and BASKING RIDGE, NJ — In the closing keynote presentation today at The Yankee Group's 2006 North American Wireless Leadership Summit in New York, Denny Strigl, president and chief executive officer of Verizon Wireless, announced that Verizon Wireless will begin to pro-rate the early termination fee (ETF) for customers nationwide in the fall. Verizon Wireless is the first major U.S. carrier to commit to a national policy to pro-rate the ETF. The company will include new terms in customer contracts that will progressively reduce the amount a customer has to pay if they terminate their contract with Verizon Wireless before their committed term expires. The pro-rate will apply to contracts signed or renewed after the policy takes effect, and the amount owed will vary depending on the time remaining in the contract.

Strigl said the change is being made to adapt policies to customers' needs. "We believe dissatisfaction with flat early termination fees is tarnishing the entire industry," he said. Verizon Wireless has the most loyal customer base, as well as the highest ratio of local number portability (LNP) port-ins. "We also know that the few customers who leave us often return. We will work even harder to continue to deliver the best network and the best service, so customers won't want to leave us in the first place. That's what competition is all about."

To that end, Strigl outlined benefits Verizon Wireless will add to its Worry Free Guarantee® for customers who pay their bills online via the company's Web site. The additional guarantees include:

- Customers will receive notices via e-mail if there is a price plan that better matches their usage needs.
- To enable customers to take advantage of new technology more quickly, any customer with a $49.99 or higher price plan may upgrade their primary line handset after 12 months at the then current promotional price and conditions. The company will continue to offer a free phone upgrade every two years as it does now for all customers.
- If a customer's phone fails after the manufacturer's warranty, the customer will not pay more than $50 for a replacement phone.
- If a customer chooses, Verizon Wireless will store their phone contact list on its network—at no cost—so contacts can easily be restored when a phone is lost or stolen, or when a customer purchases a new handset.

Commenting on the Summit's theme of "wireless disruption," Strigl discussed how the wireless industry has the ability to transform itself in the years ahead by continuing to add value for customers through technology and responsiveness.

Strigl noted transforming trends going forward will look different than past transformations; they will happen over shorter periods of time and have a more customized appeal. Also, there won't be any one single earth-shattering application that will transform value for everyone, so the industry needs a constant stream of applications and content. Finally, transformations in the wireless business have been and will continue to be all about the distribution of the applications and services – the network.

"It's the network that brings applications to life," he said. "The network is the enabler and the differentiator."

In announcing the company's plans to pro-rate the ETF and expand the company's Worry Free Guarantee, Strigl noted Verizon Wireless has a track record of listening to its customers and making policy decisions based on customer needs. Verizon Wireless parted with the industry by refusing to participate in a wireless directory when customers said they didn't want one. The company also broke from other wireless companies to support local number portability because customers wanted the freedom to take their numbers with them if they switched service providers. Strigl said Verizon Wireless is taking similar action with early termination fees, as it is an issue that increasingly is irking customers industry-wide.

"Our ability to continue to transform the wireless business depends on what we do with the intelligence in our networks – and the intelligence our customers are feeding to us – to provide new compelling value for the customer," Strigl concluded.

The full transcript of Denny Strigl's speech is available online at http://news.vzw.com/investor/events/2006/event_2006-06-28.html.

About Verizon Wireless
Verizon Wireless owns and operates the nation's most reliable wireless network, serving

53 million voice and data customers. Headquartered in Basking Ridge, N.J., Verizon Wireless is a joint venture of Verizon Communications (NYSE: VZ) and Vodafone (NYSE and LSE: VOD). Find more information on the Web at www.verizonwireless.com. To preview and request broadcast-quality video footage and high-resolution stills of Verizon Wireless operations, log on to the Verizon Wireless Multimedia Library at www.verizonwireless.com/multimedia.

####

EXHIBIT C

Associated Press

Verizon Wireless to Ease Up on Fees

By BRUCE MEYERSON , 06.28.2006, 05:08 PM

Targeting a top gripe by cell phone users and breaking ranks again with its industry, Verizon Wireless plans to prorate the fee it charges subscribers who break a contract so they only pay an amount proportional to the time left on their agreements.

The change in the early termination fee will be implemented this fall for all new customers and any Verizon Wireless subscribers who sign a new contract, the company announced Wednesday in tandem with a speech by CEO Denny Strigl at an industry conference.

The company, owned jointly by Verizon Communications Inc. and Vodafone Group PLC, also said it was addressing another customer frustration by enabling existing subscribers to upgrade to a new handset at the same steep discounts being offered to lure new customers.

U.S. wireless companies, their subscribers trapped by contracts and early termination fees, typically offer much smaller savings, if at all, on upgrades while they're under contract. Verizon's new flexibility will be available to subscribers with calling plans of $50 after 12 months.

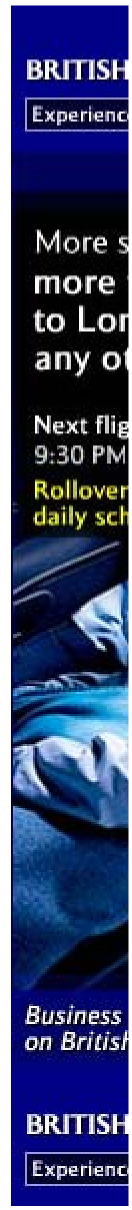
Related Quotes

S	19.72	+ 0.17
VOD	20.63	+ 0.07
VZ	32.61	+ 0.17

get quotes

Most Popular Stories
The World's Most Powerful Celebrities
Coolest Communication Devices Of The Future
World's Most Dangerous Races
World's Sexiest Islands
Best Adventure Cars

Popular Videos
Wade's World
Getting Serious With Angelina
50 Cent Sees Gold
The $600 Haircut
Taking Off Project Runway



Wireless cancellation fees are a longtime sore point among consumers, provoking lawsuits and legislative proposals to prohibit and cap them.

Earlier this month in California, a state court decided to allow a class action suit seeking to recover early cancellation fees from Verizon Wireless and Sprint Nextel Corp., according to the seniors advocacy group AARP, which is providing legal assistance for the plaintiffs. And in early June, Democrats in the Michigan Legislature proposed a bill that would limit termination fees to $20.

About 50 million of Verizon Wireless' 53 million subscribers are under contract, and nearly all would face an early termination fee of $175 if they decided to change carriers or just close their accounts.

"The number of complaints on this issue is the single largest that our customers have," Strigl said in an interview before the speech, referring to the termination fees as a "black eye" for the industry. "It's a legitimate complaint: If they leave in month one or month 23, they pay the same charge."

The change to prorating the fee isn't as big a gambit for Verizon, which boasts the industry's best customer retention rates, as it might be for many rivals with heavier subscriber defections.

Wednesday's announcement marks at least the third time that Strigl has used the annual Yankee Group wireless conference to break ranks with his top rivals.

In 2003, Strigl came out in favor of giving cell users the right to keep their phone numbers if they decide to change providers, an edict from the Federal Communications Commission that all the top wireless companies were trying to fight in court. The sudden reversal by Verizon Wireless scored a public relations coup, with its rivals left looking less customer friendly.

Last year, citing customer privacy concerns, Strigl said Verizon Wireless would not participate in an effort to create a directory of cellular phone numbers like that in the traditional wireline industry.

Asked if the latest move on termination fees might provoke more consternation, Strigl said, "That's what industry leaders do."

1 of 1

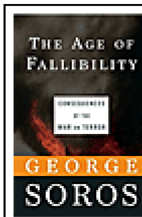
E-mail | Comments | E-Mail Newsletters | My Yahoo! | RSS

News Headlines | More From Forbes.com | Special Reports

Subscriptions >

Free Trial Issue of Forbes
Subscribe To Newsletters
Buy Audio Version of Forbes
Forbes Gift Subscription
Subscriber Customer Service

CEO Book Club



The Humble Billionaire
The Humble Billionaire
Why George Soros says it' that we don't know as muc world as we like to think.
READ REVIEW BUY THIS

Glass Ceilings
Kathleen Archambeau
Why do women still hit bar management jobs in the co
READ REVIEW BUY THIS

Search Books
Title

Advanced Search | New & Notable

EXHIBIT D

ajc.com > Business

Verizon liberalizes cancellation fees

STAFF AND NEWS SERVICES
Published on: 06/29/06

Verizon Wireless, in a bid to stem complaints and win more customers, is changing the way it penalizes customers who cancel contracts.

Customers who leave Verizon will pay a fee based on the amount of time left on their contracts, rather than a fixed, $175 early termination fee, President and Chief Executive Denny Strigl said Wednesday. The company will start the new policy later this year.

"It is the No. 1 complaint customers in the industry have," Strigl said before speaking at a Yankee Group conference in New York. "We've dragged our feet on this long enough. It's time the industry removes the black eye it has over this issue."

Verizon said the change will apply to contracts signed or renewed after the policy takes effect.

Verizon's move could prompt its rivals to respond. But Sprint, for one, had no plans to change its early termination fees, CEO Gary Forsee said in interview Tuesday.

A spokeswoman for Atlanta-based Cingular Wireless, the largest cellphone carrier in the United States, was coy about whether the company will react to Verizon's change.

Rochelle Cohen said Cingular "leads the industry in customer-friendly practices" and that the carrier will have "another significant customer-friendly initiative to announce soon."

"We are pleased that other carriers are following Cingular's lead in focusing on consumers," Cohen said.

Cingular — along with Sprint Nextel, T-Mobile and Alltel — requires payments ranging from $150 to $200 for early termination of services. Verizon and Sprint are being sued in California for enforcing early termination fees.

Cellphone contracts tend to raise the ire of many consumers and, in some cases, lawmakers. In Georgia earlier this year, a state senator introduced a bill that would have prevented cellphone operators from extending service contracts when a customer made a service change. The bill didn't pass.

Verizon also plans a $50 limit on the cost to replace a phone that is no longer under warranty. Subscribers also will pay a maximum of $50 to upgrade phones after 12 months of service. Free upgrades still will be offered every two years.

Although Verizon trails Cingular in customers, Verizon has less customer turnover, also known as churn.

Bloomberg News and staff writer Scott Leith contributed to this article.

EXHIBIT E

REUTERS

Print this article   Close This Window

UPDATE 2-Verizon Wireless to moderate early exit fee policy

Wed Jun 28, 2006 7:29 PM ET

(Recasts; adds details and quote, byline)

By Sinead Carew

NEW YORK, June 28 (Reuters) - Verizon Wireless plans to prorate its early termination fees starting this fall, reducing the amount some customers pay to end their service early, Chief Executive Officer Denny Strigl said on Wednesday.

The flat fee that Verizon Wireless and its rivals levy on early cancellations is a top customer complaint, Strigl said during his speech at a Yankee Group wireless conference.

Verizon Wireless, a venture of Verizon Communications <VZ.N> and Vodafone Group Plc <VOD.L>, is the first major U.S. carrier to lessen the amount it charges departing customers the closer they get to their contract end.

Strigl said he expects a small impact on revenue from the change, which aims to improve consumer satisfaction.

"It's a very minimal cost of revenue impact," Strigl said at the sidelines of the conference.

When asked about the timing of the decision, he said, "The industry has a black eye over the whole thing."

Regulators and analysts applauded the No. 2 U.S. cell phone service provider's plans.

A spokesman for Federal Communications Commission Chairman Kevin Martin said the regulator would need to review the details but that "Martin is encouraged by today's announcement and is hopeful that it will prove to be beneficial to consumers and could signal a new trend among wireless carriers."

Yankee Group analyst Linda Barrabee said it was not clear whether it would prompt many customers to switch services but that it could shame rivals into following suit.

"If it lessens the consumers angst about leaving it's a good thing, said Barrabee, who adding that "It makes other carriers look less flexible."

Verizon's No 1 rival Cingular Wireless, T-Mobile USA, the No. 4 U.S. service, and Sprint Nextel Corp. <S.N>, the No. 3 U.S. mobile service, all charge flat fees ranging from $150 to $200 to users who leave before their contracts end.

Cingular, a venture of AT&T Inc. <T.N> and BellSouth Corp. <BLS.N>, Sprint, and T-Mobile, owned by Deutsche Telekom AG <DTEGn.DE>, would not say if they plan to follow suit.

"We're always looking for ways to best serve consumers but we're not going to speculate on any future plans,' said Cingular Wireless spokeswoman Rochelle Cohen, who promised the company would have a new customer-friendly initiative soon.

Cohen said Cingular customers had the option to avoid signing contracts. She said Verizon's move was a sign of "the competitive wireless industry at work."

A representative for T-Mobile said it had no announcement about any change in policy at this point. Sprint said it has a policy where users do not have to renew their contract if they want to switch plans within a 3-month period.

"We're always reviewing our policies and we want to make customer-friendly decisions but we don't have any plans to make a change at this time," said Sprint spokesman Lisa Malloy. (Additional reporting Jeremy Pelofsky in Washington and Ritsuko Ando in New York)

Close This Window