For the vast majority of consumers, including many older consumers, the cell phone has become an indispensable tool of modern life. With a cell phone, consumers have more freedom and flexibility to stay connected with family and friends, conduct business and coordinate their increasingly busy schedules. Moreover, a cell phone is a safety device in the event of an emergency. It empowers people with a sense of security and confidence that help is always nearby.

Given the essential role of wireless phone service in today's society, consumers need and deserve a marketplace that offers a choice of high quality products at stable, reasonable prices. They need and deserve a marketplace that spurs innovation and functions without fraud, deception, and unfair business practices.

With many of these objectives in mind, Congress has focused on the promotion of competition as the fundamental goal of wireless policy since 1993. This policy approach assumes that consumers can and will switch freely among wireless carriers in response to differences in the price and quality of service. Indeed, the knowledge that customers switch easily to alternative providers creates strong pressure on each wireless carrier to serve consumers better than its rivals. In short, the ability to change providers gives consumers leverage in the marketplace.

Switching Costs Harm Consumers
In today’s wireless marketplace, however, the widespread use of consumer switching costs is a practice that poses a significant threat to Congress’ vision of customer choice and competition. More specifically, switching costs, particularly switching costs that providers impose or exploit, often harm consumers by increasing prices, reducing product quality and innovation and generally making markets less competitive.

Scant Attention from Policymakers
Significant evidence suggests that the national wireless carriers strategically pursue and manage a full range of switching cost opportunities. Nevertheless, the use of switching costs as a customer retention tool is a practice that appears to occur virtually unchecked by the federal agency responsible for ensuring that consumers can switch freely between wireless carriers.
Policy Recommendations

Competitive markets work best for consumers when they are unimpeded in their ability to switch among service providers. Therefore, policymakers should:

- Ensure all consumers have up to 20 days after the date of their first monthly service bill to void their service contract without penalty.

- Apply rules to wireless carriers to ensure that consumers have the freedom to use the handset of their choice on whichever wireless network they prefer, just as they have that basic right for their landline communication.

- Conduct an annual study to identify and measure the existence of consumer switching costs to assess their impact on competition and consumer welfare in the wireless marketplace.

- Prohibit unreasonable early termination fees.

Consumers depend more than ever on clear and meaningful information that is easily accessible and comparable across service providers. Therefore, policymakers should:

- Establish standards for, and publish quality of service information associated with each wireless carrier, such as dropped call rates and the number of complaints regulators receive about each wireless carrier.

- Require wireless carriers to produce accurate coverage maps that clearly convey meaningful information about the quality of their service.

- Require wireless carriers to disclose the full purchase price of any handset they sell, including any amount that is collected through subscription fees.

- Require wireless carriers to begin all sales transactions by providing consumers with clear and conspicuous disclosures of all material terms and conditions of the offer.

- Prohibit wireless carriers from imposing any separate monthly line-item charges on customers’ bills unless such charges have been expressly mandated by law.

Consumer Confusion and Dissatisfaction in the Wireless Industry

- In 2004, 2005 and 2006, cell phone service was the most complained about industry in the United States.

- Each of the national wireless carriers has mostly or completely ignored repeated FCC requests to submit network coverage maps and other information about their quality of service and service availability.

- Up to 50 percent of the cell phone industry’s income comes from overage charges that consumers pay for exceeding the number of minutes on their cell plans and “underage,” which is the amount consumers pay for unused minutes.

- Consumers have a “lower probability of finding the best cell phone carrier for their usage patterns than winning at roulette.”
  
  - Peter Navarro, UC-Irvine.

- “In the U.S., it can be easier to end a marriage than to end a loveless relationship with [either of the two largest wireless carriers].”
  
  – Wired magazine.