

# GAO

United States General Accounting Office

Fact Sheet for the Chairman,  
Subcommittee on Telecommunications  
and Finance, Committee on Energy and  
Commerce, House of Representatives

September 1993

## TELECOMMUNICATIONS

### Charges for Itemized Cellular Telephone Bills



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United States  
General Accounting Office  
Washington, D.C. 20548

Resources, Community, and  
Economic Development Division

B-254435

September 21, 1993

The Honorable Edward J. Markey  
Chairman, Subcommittee on  
Telecommunications and Finance  
Committee on Energy and Commerce  
House of Representatives

Dear Mr. Chairman:

Concerned that consumers in some cellular telephone markets are required to pay an extra charge for bills that itemize the length, date, time, and cost of calls made from their cellular telephones, you asked us for information on cellular service carriers' pricing practices for detailed billing. You asked us to compare pricing practices within the largest markets, within the most populous states, by the largest carriers, and according to the cost of service within the largest markets. As agreed with your office, this report addresses the following questions:

- In how many of the largest cellular telephone markets do cellular carriers require consumers to pay for detailed billing, and what is the average charge?
- How many of the largest cellular carriers require consumers to pay for detailed billing?
- In the largest cellular markets, does the cost of service determine whether there will be an extra charge for detailed billing?

To address these questions, we reviewed 60 cellular markets. These markets included the 30 largest cellular markets and 30 additional cellular markets in nine of the most populous states. All 30 of these additional markets are ranked among the top 100 cellular markets in the nation. These 60 cellular markets cover areas with a population of about 124 million, or about 50 percent of the population of the United States. However, since we obtained information about specific markets and thus did not use sampling techniques, our findings cannot be projected to the universe of markets. Appendix I contains a detailed discussion of our objectives, scope, and methodology.

In each market, the Federal Communications Commission (FCC) has authorized two carriers to build facilities and offer cellular telephone service. The FCC initially reserved one license for the local telephone company and the other license for any other qualified applicant, including a telephone company from another region of the country.

In summary, we found the following:

- In 32 of the 60 cellular markets we reviewed, both of the licensed carriers required customers to pay an extra charge for detailed billing under at least one of the service plans they offered. In an additional six markets, one of the two licensed carriers charged consumers for detailed billing. Carriers that required consumers to pay for detailed billing charged an average of \$3.65 a month for this service.
- Of the 11 largest cellular carriers, 7 required consumers in most of their largest cellular markets to pay extra for detailed billing.
- The practice of charging extra for detailed billing was twice as prevalent in the lowest-cost cellular markets as it was in the highest-cost cellular markets. Within the 30 largest cellular markets, we calculated that the lowest monthly price for 150 minutes of calls would average about \$84. In 12 of the markets in which 150 minutes of monthly usage would cost less than \$84, one or both of the licensed carriers charge extra for detailed billing. In six of the markets in which 150 minutes of monthly usage would cost more than \$84, one or both of the licensed cellular carriers charge extra for detailed billing.

Section 1 provides information on carriers' pricing practices in the 60 cellular markets we reviewed. Section 2 provides information on the pricing practices of the largest carriers. Section 3 discusses our calculation of how much consumers would be charged for 150 minutes of monthly usage under the lowest-priced service plan available from the two carriers in their market and whether this price would include detailed billing at no extra charge.

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We discussed a draft of this fact sheet with officials in the FCC's Office of Managing Director and Common Carrier Bureau and have included their comments where appropriate.

B-254435

As arranged with your office, unless you announce its contents earlier, we plan no further distribution of this fact sheet until 30 days after the date of this letter. At that time, we will send copies to the Chairman of the FCC and other interested parties. We will make copies available to others on request.

Please contact me on (202) 512-2834 if you or your staff have any questions. Major contributors to this fact sheet are listed in appendix II.

Sincerely yours,



Kenneth M. Mead  
Director, Transportation and  
Telecommunications Issues

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ABBREVIATIONS

CTIA	Cellular Telecommunications Industry Association
FCC	Federal Communications Commission
GAO	General Accounting Office
MSA	metropolitan statistical area
N/C	no charge

## SECTION 1

### PRICING PRACTICES ON DETAILED BILLING AND AVERAGE MONTHLY CHARGES IN LARGE CELLULAR MARKETS

In more than half of the large cellular markets we reviewed, customers were required to pay an extra charge for detailed billing. Detailed billing shows the calls made from and to a consumer's cellular telephone, including the calls' length, date, time, and cost. Consumers who do not receive detailed billing receive a summary of usage and charges. If a cellular service consumer does not choose the optional detailed billing, the consumer runs the risk of unknowingly being billed for more calls than were actually made or received. Unlike typical local telephone service, none of the service plans offered to consumers by cellular carriers in the large cellular markets we reviewed included unlimited calling.

To determine which carriers charged for detailed billing and how much the charge was, we first selected the 30 largest cellular markets. We then selected 30 additional markets ranked among the largest 100 cellular markets and located in nine of the most populous states.

The Federal Communications Commission (FCC) has authorized two carriers in each geographic (market) area to build facilities and offer cellular telephone service. One license was initially reserved for the local telephone company (known as the wireline, or block-B, licensee) and the other license was initially reserved for any other qualified applicant, including a telephone company from another region of the country (known as the nonwireline, or block-A, licensee).

#### DETAILED BILLING IN LARGE CELLULAR MARKETS

As table 1.1 shows, in the 60 large markets included in our review:

- Both carriers in 32 markets and one of the two carriers in another 6 markets charged for detailed billing of services provided under at least one of the service plans the carriers made available to new customers in May 1993.
- Both carriers in 22 markets provided detailed billing to consumers at no extra charge. However, in some of these markets, free detailed billing is not automatically included in the consumers' monthly statements. For example, cellular customers of the block-A carrier in Boston (Southwestern Bell) must notify the carrier in writing if they want to receive detailed billing.

AVERAGE MONTHLY CHARGE FOR  
DETAILED BILLING

Table 1.1 also lists the monthly charge made for detailed billing by those cellular carriers that charged for detailed billing in the 60 large markets. The average monthly charge was \$3.65--ranging from \$1.00 to \$5.00. The charges made by the two carriers in each market tended to be quite similar; in many cases, they were identical.

DETAILED BILLING IN NINE OF  
THE MOST POPULOUS STATES

Table 1.1 also shows the information we obtained on the prices carriers charged for detailed billing in 47 of the largest cellular markets located in nine of the most populous states (California, New York, Texas, Florida, Pennsylvania, Illinois, Ohio, Michigan, and Massachusetts). In these 47 markets, consumers generally

- paid for detailed billing in Texas, Florida, Pennsylvania, Illinois, Ohio, and Michigan; and
- received detailed billing at no extra charge in California, New York, and Massachusetts.

**Table 1.1: Monthly Charge for Detailed Billing in 60 of the 100 Largest Cellular Markets, by State, as of May 1993**

Market and rank <sup>a</sup>	Block-A <sup>b</sup> price	Block-B <sup>b</sup> price
<b>California</b>		
Los Angeles (2)	N/C <sup>c</sup>	N/C
San Francisco (7)	N/C	N/C
San Diego (18)	N/C	N/C
San Jose (27)	N/C	N/C
Sacramento (35)	N/C	N/C
Oxnard (73)	N/C	N/C
Fresno (74)	N/C	N/C
Bakersfield (97)	N/C	N/C
Average charge	No charge in 8 markets	No charge in 8 markets
<b>New York</b>		
New York (1)	N/C	N/C
Buffalo (25)	\$1.00	N/C
Rochester (34)	N/C	N/C
Albany (44)	N/C	N/C
Syracuse (53)	N/C	N/C
Average charge	No charge in 4 markets; \$1.00 in 1 market	No charge in 5 markets
<b>Texas</b>		
Dallas (9)	\$3.00	\$3.00
Houston (10)	3.25	3.95
San Antonio (33)	2.50	2.50
Austin (75)	3.00	3.95
El Paso (81)	2.00	2.50
Average charge	\$2.75 in 5 markets	\$3.18 in 5 markets
<b>Florida</b>		
Miami (12)	\$5.00	\$5.00
Tampa (22)	4.75	3.95
Jacksonville (51)	5.00	5.00
Orlando (60)	5.00	5.00
West Palm Beach (72)	5.00	5.00
Average charge	\$4.95 in 5 markets	\$4.79 in 5 markets

Market and rank <sup>a</sup>	Block-A <sup>b</sup> price	Block-B <sup>b</sup> price
<b>Pennsylvania</b>		
Philadelphia (4)	N/C <sup>c</sup>	N/C
Pittsburgh (13)	\$1.00	N/C
N.E. Pa. (56)	N/C	\$1.50
Allentown (58)	N/C	N/C
Harrisburg (84)	2.00	1.00
York (99)	2.00	1.00
Average charge	No charge in 3 markets; \$1.67 in 3 markets	No charge in 3 markets; \$1.17 in 3 markets
<b>Illinois</b>		
Chicago (3)	\$5.00	\$5.00
<b>Ohio</b>		
Cleveland (16)	\$2.25	\$3.25
Cincinnati (23)	4.95	5.00
Columbus (31)	4.95	5.00
Dayton (40)	4.95	5.00
Toledo (48)	5.00	1.00
Akron (52)	2.25	3.25
Youngstown (66)	2.50	1.00
Canton (87)	2.25	3.25
Average charge	\$3.64 in 8 markets	\$3.34 in 8 markets
<b>Michigan</b>		
Detroit (5)	\$5.00	\$5.00
Grand Rapids (64)	5.00	5.00
Flint (68)	4.95	5.00
Lansing (78)	4.95	5.00
Saginaw (94)	4.95	5.00
Average charge	\$4.97 in 5 markets	\$5.00 in 5 markets
<b>Massachusetts</b>		
Boston (6)	N/C	N/C
Worcester (55)	N/C	N/C
Springfield (63)	N/C	N/C
New Bedford (76)	N/C	N/C
Average charge	No charge in 4 markets	No charge in 4 markets

Market and rank <sup>a</sup>	Block-A <sup>b</sup> price	Block-B <sup>b</sup> price
<b>Other markets</b>		
Washington, D.C. (8)	\$3.00	N/C <sup>c</sup>
St. Louis (11)	5.00	\$2.50
Baltimore (14)	3.00	N/C
Minneapolis (15)	2.00	N/C
Atlanta (17)	N/C	N/C
Denver (19)	N/C	N/C
Seattle (20)	N/C	N/C
Milwaukee (21)	4.95	5.00
Kansas City (24)	3.00	2.95
Phoenix (26)	N/C	N/C
Indianapolis (28)	2.75	3.50
New Orleans (29)	5.00	5.00
Portland, Oreg. (30)	2.00	2.25
Average charge	No charge in 4 markets; \$3.41 in 9 markets	No charge in 7 markets; \$3.53 in 6 markets
Average charge in total of 60 markets	No charge in 23 markets; \$3.63 in 37 markets	No charge in 27 markets; \$3.68 in 33 markets

<sup>a</sup>The number in parentheses, known as the "market number," represents the population rank of the metropolitan statistical area (MSA) in the late 1970s when the FCC designated the cellular markets.

<sup>b</sup>Block A and block B are the blocks of radio frequencies assigned by the FCC to the two cellular carriers serving each cellular geographic area.

<sup>c</sup>N/C mean that no extra charge was made for detailed billing under any of the carrier's service plans. All dollar entries represent the extra charge for detailed billing under at least one of the carrier's service plans.

Source: GAO's analysis of information provided by customer service representatives of cellular carriers.

## SECTION 2

### PRICING PRACTICES OF LARGE CELLULAR CARRIERS ON DETAILED BILLING

In this section, we provide information on the pricing practices on detailed billing of the cellular carriers that served the 60 large cellular markets included in our review. Eleven of the nation's 12 largest carriers (ranked by the combined population of the markets for which they hold a majority interest in licenses) serve 58 of these 60 markets. Nationwide, these 11 cellular carriers serve markets that include about 68 percent of the population. As table 2.1 shows, in the 60 markets we reviewed

- 7 of the 11 largest cellular carriers (McCaw, GTE, BellSouth, Southwestern Bell, Ameritech, Sprint, and CCI) generally charged consumers for detailed billing and
- 4 of the 11 largest cellular carriers (PacTel, Bell Atlantic, NYNEX, and U S WEST) generally provided consumers with detailed billing at no extra charge. However, in all 12 large markets in Ohio and Michigan that were served by the 50-50 joint venture between CCI and PacTel, consumers were charged for detailed billing.

Table 2.1: Monthly Charge for Detailed Billing in 60 of the 100 Largest Cellular Markets, by Carrier, as of May 1993

Carrier	Market	Block <sup>a</sup>	Price
McCaw Cellular Communications, Inc. (McCaw)	New York	A	N/C <sup>b</sup>
	Dallas	A	\$3.00
	Houston <sup>c</sup>	A	3.25
	Miami	A	5.00
	Pittsburgh	A	1.00
	Minneapolis	A	2.00
	Denver	A	N/C
	Seattle	A	N/C
	Tampa	A	4.75
	Kansas City	A	3.00
	Portland	A	2.00
	San Antonio	A	2.50
	Sacramento	A	N/C
	Jacksonville	A	5.00
	Orlando	A	5.00
	West Palm Beach	A	5.00
	Oxnard	A	N/C
Fresno	A	N/C	
Austin	A	3.00	
Average charge:			No charge in 6 markets; \$3.42 in 13 markets
GTE Mobile Communications (GTE)	San Francisco	B	N/C
	Houston	B	\$3.95
	Cleveland	B	3.25
	Tampa	B	3.95
	San Jose	B	N/C
	Indianapolis	B	3.50
	Portland	B	2.25
	Akron	B	3.25
	Fresno	B	N/C
	Austin	B	3.95
	El Paso	B	2.50
	Canton	B	3.25
Bakersfield	B	N/C	
Average charge:			No charge in 4 markets; \$3.32 in 9 markets

Carrier	Market	Block <sup>a</sup>	Price
BellSouth Cellular Corporation (BellSouth)	Los Angeles <sup>c</sup>	A	N/C <sup>b</sup>
	Miami	B	\$5.00
	Atlanta	B	N/C
	Milwaukee	A	4.95
	Indianapolis	A	2.75
	New Orleans	B	5.00
	Jacksonville	B	5.00
	Orlando	B	5.00
	West Palm Beach	B	5.00
	Bakersfield	A	N/C
Average charge:			No charge in 3 markets; \$4.67 in 7 markets
Bell Atlantic Mobile (Bell Atlantic)	Philadelphia	B	N/C
	Washington, D.C.	B	N/C
	Pittsburgh	B	N/C
	Baltimore	B	N/C
	Phoenix	A	N/C
	Allentown	B	N/C
	Springfield	A	N/C
	New Bedford	A	N/C
	El Paso	A	\$2.00
Average charge:			No charge in 8 markets; \$2.00 in 1 market
PacTel Cellular (PacTel)	Los Angeles	B	N/C
	San Francisco	A	N/C
	Atlanta	A	N/C
	San Diego	B	N/C
	San Jose	A	N/C
	Sacramento	B	N/C
	Oxnard	B	N/C
Average charge:			No charge in 7 markets
Southwestern Bell Mobile Systems (Southwestern Bell)	Chicago	A	\$5.00
	Boston	A	N/C
	Washington, D.C.	A	3.00
	Dallas	B	3.00
	St. Louis	B	2.50
	Baltimore	A	3.00
	Kansas City	B	2.95
	San Antonio	B	2.50
	Worcester	A	N/C
Average charge:			No charge in 2 markets; \$3.14 in 7 markets

Carrier	Market	Block <sup>a</sup>	Price
Ameritech Mobile Communications (Ameritech)	Chicago	B	\$5.00
	Detroit	B	5.00
	St. Louis	A	5.00
	Milwaukee	B	5.00
	Cincinnati	B	5.00
	Columbus	B	5.00
	Dayton	B	5.00
	Flint	B	5.00
Average charge:			\$5.00 in 8 markets
NYNEX Mobile Communications Company (NYNEX)	New York	B	N/C <sup>b</sup>
	Boston	B	N/C
	Buffalo	B	N/C
	Albany	B	N/C
	Syracuse	B	N/C
	Worcester	B	N/C
	New Bedford	B	N/C
Average charge:			No charge in 7 markets
U S West NewVector Group (U S WEST)	Minneapolis	B	N/C
	San Diego	A	N/C
	Denver	B	N/C
	Seattle	B	N/C
	Phoenix	B	N/C
Average charge:			No charge in 5 markets
Sprint Cellular (Sprint)	Toledo	B	\$1.00
	Youngstown	B	1.00
	Harrisburg	B	1.00
	York	B	1.00
Average charge:			\$1.00 in 4 markets
PacTel/Cellular Communications, Inc. (CCI) 50-50 joint venture	Detroit	A	\$5.00
	Cleveland	A	2.25
	Cincinnati	A	4.95
	Columbus	A	4.95
	Dayton	A	4.95
	Toledo	A	5.00
	Akron	A	2.25
	Grand Rapids	A	5.00
	Flint	A	4.95
	Lansing	A	4.95
	Canton	A	2.25
	Saginaw	A	4.95
Average charge:			\$4.29 in 12 markets

Carrier	Market	Block <sup>a</sup>	Price
Comcast Cellular	Philadelphia	A	N/C <sup>b</sup>
Associated Comm.	Buffalo	A	\$1.00
Radiofone	New Orleans	A	5.00
Associated Comm.	Rochester	A	N/C
Rochester Cellular	Rochester	B	N/C
Associated Comm.	Albany	A	N/C
Syracuse Telephone	Syracuse	A	N/C
Vanguard Cellular	N.E. Pa.	A	N/C
C-TEC Corporation	N.E. Pa.	B	1.50
Vanguard Cellular	Allentown	A	N/C
SNET Cellular	Springfield	B	N/C
Century Cellunet	Grand Rapids	B	5.00
Youngstown Cellular	Youngstown	A	2.50
Century Cellunet	Lansing	B	5.00
Vanguard Cellular	Harrisburg	A	2.00
Century Cellunet	Saginaw	B	5.00
Vanguard Cellular	York	A	2.00
Average charge:			No charge in 8 markets; \$3.22 in 9 markets
Average charge when a charge is made:			\$3.65

<sup>a</sup>Block A and block B are the blocks of radio frequencies assigned by the FCC to the two cellular carriers serving each cellular geographic area.

<sup>b</sup>N/C means that no extra charge was made for detailed billing under any of the carrier's service plans. All dollar entries represent the extra charge for detailed billing under at least one of the carrier's service plans.

<sup>c</sup>The listed carrier has over 50-percent ownership; however, McCaw and BellSouth share voting control equally in these markets.

Source: GAO's analysis of information provided by customer service representatives of cellular carriers.

### SECTION 3

#### SERVICE PLANS IN THE 30 LARGEST MARKETS

In this section, we provide information on how much cellular customers with 150 minutes of monthly usage are charged for service under the lowest-priced service plan available from the two carriers in their markets and whether this price includes detailed billing.

Cellular customers can choose from a variety of service plans. Consumers pay a fixed monthly charge for access to the cellular system. Depending on the plan, this charge may include a specific limit on the number of airtime minutes to be used each month. Minutes used in excess of the limit are charged at "peak" and "off-peak" rates. In some plans, consumers are charged for all minutes of usage, but the monthly access charge is accordingly lower. Peak-time minutes (e.g., between the hours of 7 a.m. and 9 p.m., Monday through Friday) are charged at higher rates than off-peak minutes. According to the Cellular Telecommunications Industry Association (CTIA), as of December 1992, the average elapsed time for a cellular call was 2.58 minutes and the average monthly bill was about \$69.

For the 30 largest markets, we determined the lowest price each carrier offered in May 1993 for airtime for 60 monthly calls by a new customer with a single telephone and an average call length of 2.5 minutes. We calculated that these 60 calls would require 150 minutes of airtime.<sup>1</sup> We selected the lowest-priced service plans from an average of five service plans (ranging from two to eight) available to consumers in the 30 markets. We excluded from our analysis multiphone corporate service plans and plans that required more than a 1-year contract.

#### AVERAGE LOWEST-PRICED SERVICE PLAN

Table 3.1 shows that the lowest monthly price for 150 minutes of calls averaged about \$84 in the 30 largest markets. The average lowest-priced service plan included

- a monthly access charge of \$59 (ranging from \$15 to \$100),
- no additional charge for the first 113 minutes of local calls (ranging from 0 to 240 minutes), and

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<sup>1</sup>That is, 60 calls, ranging from 0.1 minutes to 4.9 minutes in equally distributed calls in increments of 6 seconds' duration, with an average duration of 2.5 minutes, primarily during peak hours.

-- a peak-time period of 14 hours on weekdays (ranging from 12 to 24 hours).

In most markets, the 150 minutes of calls (60 calls of an average duration of 2.5 minutes) would result in charges for 180 minutes because the carriers rounded the duration of all calls up to the next minute. Exceptions included the Cleveland market and the five markets served by U S WEST (Minneapolis, San Diego, Denver, Seattle, and Phoenix), where all airtime charges after the first minute are billed in 30-second increments. As a result, 60 calls would be billed as 165 minutes rather than 180 minutes of usage.

**Table 3.1: GAO's Calculation of the Average Monthly Costs for the Most Economical Plans at 150 Minutes of Monthly Usage, as of May 1993**

Market and rank <sup>a</sup>	Block-A <sup>b</sup> price	Block-B <sup>b</sup> price
New York (1)	\$115.99	\$123.95
Los Angeles (2)	103.57	102.57
Chicago (3)	67.80	62.82
Philadelphia (4)	91.95	92.00
Detroit (5)	74.19	75.04
Boston (6)	92.20	87.51
San Francisco (7)	107.43	107.15
Washington, D.C. (8)	86.60	87.87
Dallas (9)	66.34	63.95
Houston (10)	85.28	86.39
St. Louis (11)	73.60	83.99
Miami (12)	95.00	99.00
Pittsburgh (13)	90.39	83.55
Baltimore (14)	86.60	87.87
Minneapolis (15)	72.00	79.95
Cleveland (16)	80.25	82.96
Atlanta (17)	89.95	95.71
San Diego (18)	85.86	91.43
Denver (19)	80.61	76.17
Seattle (20)	86.99	81.43
Milwaukee (21)	61.56	61.96
Tampa (22)	96.03	97.05
Cincinnati (23)	81.30	79.55
Kansas City (24)	77.99	78.66
Buffalo (25)	61.00	60.19
Phoenix (26)	80.90	89.47
San Jose (27)	107.43	107.15
Indianapolis (28)	70.35	73.95
New Orleans (29)	80.40	80.40
Portland, Oregon (30)	70.00	68.37
<b>Average price</b>	<b>\$83.99</b>	<b>\$84.94</b>

<sup>a</sup>The number in parentheses, known as the "market number," represents the population rank of the metropolitan statistical area (MSA) in the late 1970s when the FCC designated the cellular markets.

<sup>b</sup>Block A and block B are the blocks of radio frequencies assigned by the FCC to the two cellular carriers serving each cellular geographic area.

Source: GAO's analysis of information from individual service plans provided by customer service representatives of cellular carriers.

## RANGE OF PRICES FOR LOWEST-PRICED SERVICE PLANS

For the 30 largest markets, table 3.2 shows the cost of the lowest-priced service plans offered to customers with 150 minutes of monthly usage by each of the two cellular carriers, ranked from highest to lowest price. The table shows that the practice of charging extra for detailed billing was twice as prevalent in the lowest-cost cellular markets as it was in the highest-cost cellular markets. We found that

- in 6 of the markets where 150 minutes of monthly usage would cost more than \$84, one or both of the licensed cellular carriers charge extra for detailed billing and
- in 12 of the markets where 150 minutes of monthly usage would cost less than \$84, one or both of the licensed cellular carriers charge extra for detailed billing.

Prices marked with shading in the table indicate plans for which an extra charge is made for detailed billing.

**Table 3.2: GAO's Calculation of the Average Monthly Costs for the Most Economical Plans at 150 Minutes of Monthly Usage, Ranked From Highest to Lowest, as of May 1993**

Market	Block <sup>a</sup>	Carrier	Lowest price
New York	B	NYNEX	\$123.95
New York	A	McCaw	115.99
San Francisco	A	PacTel	107.43
San Jose	A	PacTel	107.43
San Francisco	B	GTE	107.15
San Jose	B	GTE	107.15
Los Angeles	A	BellSouth	103.57
Los Angeles	B	PacTel	102.57
Miami	B	BellSouth	99.00 <sup>b</sup>
Tampa	B	GTE	97.05
Tampa	A	McCaw	96.03
Atlanta	B	BellSouth	95.71
Miami	A	McCaw	95.00
Boston	A	Southwestern Bell	92.20
Philadelphia	B	Bell Atlantic	92.00
Philadelphia	A	Comcast	91.95
San Diego	B	PacTel	91.43
Pittsburgh	A	McCaw	90.39
Atlanta	A	PacTel	89.95
Phoenix	B	U S WEST	89.47
Washington, D.C.	B	Bell Atlantic	87.87
Baltimore	B	Bell Atlantic	87.87
Boston	B	NYNEX	87.51
Seattle	A	McCaw	86.99
Washington, D.C.	A	Southwestern Bell	86.60
Baltimore	A	Southwestern Bell	86.60
Houston	B	GTE	86.39
San Diego	A	U S WEST	85.86
Houston	A	McCaw	85.28 <sup>c</sup>
St. Louis	B	Southwestern Bell	83.99
Pittsburgh	B	Bell Atlantic	83.55
Cleveland	B	GTE	82.96
Seattle	B	U S WEST	81.43
Cincinnati	A	CCI/PacTel	81.30 <sup>c</sup>
Phoenix	A	Bell Atlantic	80.90
Denver	A	McCaw	80.61
New Orleans	A	Radiofone	80.40
New Orleans	B	BellSouth	80.40 <sup>c</sup>
Cleveland	A	CCI/PacTel	80.25
Minneapolis	B	U S WEST	79.95
Cincinnati	B	Ameritech	79.55

Market	Block <sup>a</sup>	Carrier	Lowest price
Kansas City	B	Southwestern Bell	\$78.66
Kansas City	A	McCaw	77.99
Denver	B	U S WEST	76.17
Detroit	B	Ameritech	75.04
Detroit	A	CCI/PacTel	74.19
Indianapolis	B	GTE	73.95
St. Louis	A	Ameritech	73.60
Minneapolis	A	McCaw	72.00 <sup>c</sup>
Indianapolis	A	BellSouth	70.35
Portland, Oregon	A	McCaw	70.00
Portland, Oregon	B	GTE	68.37
Chicago	A	Southwestern Bell	67.80
Dallas	A	McCaw	66.34
Dallas	B	Southwestern Bell	63.95
Chicago	B	Ameritech	62.82
Milwaukee	B	Ameritech	61.96
Milwaukee	A	BellSouth	61.56
Buffalo	A	Associated	61.00
Buffalo	B	NYNEX	60.19
Average price:			\$84.46

<sup>a</sup>Block A and block B are the blocks of radio frequencies assigned by the FCC to the two cellular carriers serving each cellular geographic area.

<sup>b</sup>Prices marked with shading indicate that there is an extra charge for detailed billing under the plan that represents this lowest price.

<sup>c</sup>Some of the other service plans include a charge for detailed billing, but not the one represented by this price computation.

Source: GAO's analysis of information from individual service plans provided by customer service representatives of cellular carriers.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Chairman, Subcommittee on Telecommunications and Finance, House Committee on Energy and Commerce, asked us for information on cellular service carriers' pricing practices for detailed billing. He asked us to compare pricing practices within the largest markets, within the most populous states, by the largest carriers, and according to the cost of service within the largest markets.

Specifically, he asked that we answer the following questions:

- (1) In how many of the largest cellular telephone markets do cellular carriers require consumers to pay for detailed billing, and what is the average charge?;
- (2) how many of the largest cellular carriers require consumers to pay for detailed billing?;
- and (3) in the largest cellular markets, does the cost of service determine whether there will be an extra charge for detailed billing?

To meet these objectives, in May 1993 we obtained from cellular carriers' customer service representatives the most current cellular service pricing plans available to consumers in the 30 largest cellular markets. We also obtained information on practices on detailed billing from cellular carriers serving an additional 30 large markets located in nine of the most populous states (California, Florida, Illinois, Massachusetts, Michigan, New York, Ohio, Pennsylvania, and Texas); all 30 of these markets were ranked among the 100 largest cellular markets in the nation. According to the 1990 census, these 60 cellular markets cover areas with a total population of about 124 million, or about 50 percent of the total population of the United States. The 30 largest cellular markets cover areas with about 41 percent of the nation's total population.

The 100 largest markets from which we selected the 30 largest markets and the additional 30 markets in populous states were the most populous metropolitan statistical areas (MSA), according to Census Bureau data from the late 1970s, when the FCC first set up the licensing policies and procedures for the cellular industry. By the time of the 1990 census, there were some changes in the population rankings among the 100 largest MSAs. For the purposes of cellular markets, we used the earlier definition.

To examine patterns in carriers' pricing practices on detailed billing, we arranged our data by state, by carrier, and by the price of the lowest-priced service package available to a customer with 150 minutes of monthly usage. In determining the criteria for comparing the various pricing plans, we have made basically the same assumptions made by a consulting firm that provided us with

the pricing data used in our July 1992 report on cellular competition.<sup>1</sup>

We determined the lowest price each carrier offered in the 30 largest markets for airtime for 60 monthly calls by a new customer with a single telephone--ranging from 0.1 minutes to 4.9 minutes in equally distributed calls in increments of 6 seconds' duration--in which the average length of a call was 2.5 minutes. For carriers that bill calls in increments of a full minute and round up fractions of minutes, the 60 calls would represent a monthly billing for 180 minutes. For carriers that bill in 30-second increments after the first minute, the 60 calls would represent a monthly billing for 165 minutes.

When carriers defined peak hours as exactly 12 hours of the day, we assumed that 80 percent of the airtime used fell during peak hours. If carriers defined peak time as more than 12 hours, we defined more than 80 percent of the airtime as falling during peak hours. For example, 13 hours of peak time meant that 81.66 percent of the calls were made in peak time, 14 hours meant 83 percent, 15 hours meant 88 percent, and 16 hours meant 90 percent.

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<sup>1</sup>Telecommunications: Concerns About Competition in the Cellular Telephone Service Industry (GAO/RCED-92-220, July 1, 1992).

MAJOR CONTRIBUTORS TO THIS FACT SHEET

RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION,  
WASHINGTON, D.C.

Allen Li, Associate Director  
Paul J. O'Neill, Assistant Director  
James E. Gwinn, Evaluator-in-Charge

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