

Maintaining Contact:

**The Provision of International Long-Distance Service
For Low-Income Immigrants in the United States**

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November 2006

S O N E C O N

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Introduction

As in the past, immigration today is reshaping various aspects of American society and its economy. From 1990 to 2000, some 13,650,000 immigrants came to the United States, accounting for 41 percent of the total increase in the nation's resident population in that decade.² Moreover, those new immigrants accounted for 47 percent of all growth in the U.S. civilian labor force during the 1990s and 66 percent of the growth in the male labor force.³ Since 2000, the pace of immigration has accelerated further: From April 2000 to July 2003, new immigrants accounted for 45 percent of the increase in America's population and 60 percent of the growth in the civilian workforce.⁴ In the absence of this immigration, the United States would confront real labor shortages.

While recent immigrants share many economic needs with native-born Americans, a far larger share of immigrant households live on low incomes. In 2002, nearly 62 percent of U.S. immigrants from Mexico, 55 percent of those from the Dominican Republic, 37 percent of Italian immigrants and 32 percent of immigrants from China earned less than twice the poverty level. As one of the world's most prosperous societies, America provides low-income households certain public and private supports to help them meet their basic human needs, such as housing and health care. One such universal need recognized by national policy for many years is telephone service. The federal Universal Service Fund ("USF") provides subsidies to reduce the cost for low-income families of securing both an initial connection and basic monthly service.

The USF's Low-Income Programs -- Link Up America ("Link Up") and Lifeline Assistance ("Lifeline") -- however, do not cover international long-distance service, which low-income immigrants in the United States use to a far greater degree than most native-born Americans, so they can stay connected with family and friends in their native countries. In the absence of public support in this area, the private market has tried to fill this gap. U.S. telecommunications companies have developed a range of products to serve different parts of the long-distance market. This study evaluates the four leading classes of international long-distance

¹ This analysis was conducted with support from IDT Corporation.

² Andrew Sum, Neeta Fogg, Ishwar Khatriwada and Shelia Palma, "Foreign Immigration and the Labor Force of the U.S.: The Contributions of New Foreign Immigration to the Growth of the Nation's Labor Force and Its Employed Population, 2000 to 2004." Center for Labor Market Studies, Northeastern University, July 2004.

³ *Ibid.*

⁴ *Ibid.*

service products – prepaid calling cards, 10-10 “dial-around” programs, the discount long-distance plans of landline companies, and mobile wireless plans – in the context of the basic need of low-income immigrant households for this service. We found that this market can be substantially served today by prepaid calling cards, which consistently provide the lowest-priced access to international service. Its pricing advantage reflects basic features of the prepaid calling card model, including relatively low sunk investment requirements for the providers (a feature shared with dial-around) and sharply reduced risk of subsequent billing default by low-income customers.

We calculate that the average price of a 30-minute telephone call from the United States to the 11 major countries of origin for recent immigrants⁵ is \$6.21 using prepaid calling cards, compared to \$7.59 using a 10-10 dial-around service, \$9.82 using the discount long-distance plans of landline companies, and \$17.13 using mobile wireless phones. Therefore, compared to prepaid calling cards, the average price of a 30-minute call from the United States to the 11 countries is 22 percent higher using a 10-10 dial-around service, 58 percent higher using the discount long distance plans of landline companies, and 176 percent higher using mobile wireless service. Prepaid calling cards, especially combined with Link Up and Lifeline services for domestic calls, represent an economically efficient response to a gap in the telephony market for these consumers, contributing to the ability of immigrants to integrate into the U.S. economy.

The Provision of Basic Telephone Service for Low-Income Households

Basic telephone service has long been recognized as a genuine household necessity. The Communications Act of 1934 (as amended) established the broad goal of Universal Service, and federal regulation of the rates charged by the monopoly AT&T created a system of cross subsidies from long-distance users to basic residential service.⁶ Following the breakup of AT&T, Congress created the Universal Service Fund (“USF”) to subsidize basic residential telephone service in low-income communities and certain rural areas, and this program was expanded in the Telecommunications Act of 1996. Since 1996, telecommunications carriers providing service across state lines and between the United States and other countries contribute to the USF of the Federal Communications Commission (“FCC”). Carriers can recover their contributions to the Fund by applying a Universal Service charge to their customers’ monthly telephone bills, with participants in the Low-Income Program exempt from the charge. The Fund then finances payments to carriers to provide discounts on telephone installation and monthly telephone service for low-income families.

The Universal Service subsidies are available to all qualifying consumers, although the eligibility criteria vary by state. In states that rely solely on the Federal Low-Income Program, a customer must have an income no greater than 135 percent of the poverty level or participate in

⁵ The countries included are Mexico, Cuba, Dominican Republic, El Salvador, Haiti, China, Vietnam, India, Philippines, Italy and the United Kingdom. Center for Immigration Studies, “Immigrants in the United States 2002 – A Snapshot of America’s Foreign-Born Population,” November 2002.

⁶ Based on the principle that the cost of shared facilities should be allocated across all services and customers in a network, the FCC directed that long-distance companies compensate local carriers for a share of the cost of local loop facilities, and those payments were used to keep charges for basic residential service low. See “Universal Service Fund,” www.technologiesacrossnebraska.unl.edu/html/universal.html.

public assistance programs, including Medicaid, food stamps, supplemental security income, federal public housing assistance, low-income home energy assistance, temporary assistance to needy families and the national school lunch program⁷ Lifeline customers are asked each year to certify that they still meet the income guidelines and other requirements. Most carriers use a self-certification system in which customers simply complete a form attesting to their low-income status. However, carriers can spot check Lifeline customer and request proof of that status at any time.

Table 1: Income Eligibility Requirements for Link Up and Lifeline Programs⁸

Family Size	Lower 48 States & DC	Hawaii	Alaska
1	\$12,920	\$16,133	\$14,864
2	\$17,321	\$21,641	\$19,926
3	\$21,722	\$27,149	\$24,989
4	\$26,123	\$32,657	\$30,051
5	\$30,524	\$38,165	\$35,114
6	\$34,925	\$43,673	\$40,176
7	\$39,326	\$49,181	\$45,239
8	\$43,727	\$54,689	\$50,301

The two basic services subsidized by the Universal Service Fund -- Link Up, which provides up to \$30.00 to offset one-half of the initial installation or connection fee; and Lifeline, which provides discounts of up to \$10 on monthly service for local calls – cover the most basic needs of many low-income households.⁹ Research has found that these subsidies have increased low-income access to basic telephone service.¹⁰ However, the subsidies do not support all of the basic communications needs of low-income immigrants, because they do not cover their particular need to communicate with people in their native countries.

It is well-established that immigrants represent a disproportionate share of all low-income households in the United States. The Center for Immigration Studies estimates that 41.5 percent of all immigrants residing in the United States live on incomes of less than twice the U.S. poverty level.¹¹ The largest numbers and shares of low-income immigrants living in the United States today came from Latin America, including nearly 6 million Mexican-born low-income immigrants and their families. However, significant shares of U.S. immigrants from every major country of origin live on low incomes.

⁷ Federal Communications Commission, Universal Service Program for Low-Income Consumers, 2006.

⁸ *Ibid.*

⁹ Residents of American Indian and Alaska Native tribal communities may qualify for enhanced Lifeline support (up to an additional \$25) and expanded Link-Up support (up to an additional \$70).

¹⁰ Michael Riordan, Gregory Rosston and Bradley Wimmer, “Low Income Demand for Local Telephone Service: The Effects of Lifeline and Link Up,” Telecommunications Policy Research Conference, September 20, 2003.

¹¹ Center for Immigration Studies, *Immigrants in the United States 2002 – A Snapshot of America’s Foreign-Born Population*, Center for Immigrant Studies, November 2002.

Table 2: U.S. Immigrants Living on Low-Incomes, by Country of Origin, 2002¹²

	Number with Incomes of Less than Twice the Poverty Level	Share of All Immigrants from that Country
<i>Latin America</i>		
Mexico	5,932,000	61.5%
Cuba	462,000	49.2%
Dominican Republic	368,000	54.9%
El Salvador	364,000	42.0%
Haiti	267,000	47.2%
<i>Asia</i>		
China	464,000	32.0%
Vietnam	267,000	31.4%
India	267,000	19.7%
Philippines	265,000	17.9%
<i>Europe</i>		
Italy	160,000	37.0%
United Kingdom	143,000	23.6%

Researchers also have found that immigrants to the United States use international long-distance service much more than native-born Americans. According to a recent study conducted for the Carnegie Foundation, 59 percent of immigrants in the United States telephone family and/or friends in their native country weekly or several times each month.¹³ Moreover, Mexican-born immigrants and their families in the United States – the national group with the largest numbers and share of low-income people -- use international long-distance service even more frequently, with more than 70 percent calling home at least once or twice a week.¹⁴ Further, analysis by the Hispanic and Asian Marketing Communication Research Corporation found that Asian-born U.S. immigrants also maintain high levels of telephone communications with their homelands. For example, Asian-born people living in the San Francisco area spend an average of \$100 per-month on long-distance and international telephone phone calls; and more than one-third of Chinese-born U.S. immigrants allocate almost half of their monthly long-distance budget to international calls.¹⁵

¹² *Ibid.*

¹³ Steve Farkas, Ann Duffett and Jean Johnson, "Now That I'm Here: What America's Immigrants Have to Say about Life in the U.S. Today," Public Agenda, 2003. The desire of immigrants to stay connected with families and friends from their homeland does not contradict a desire to stay in the United States: The study also found that 74 percent of immigrants plan to stay in the United States permanently.

¹⁴ Brenda Gazzar, "Made in America," A Special Report on Immigrants," Beyond Borders, 2005.

¹⁵ Hispanic & Asian Marketing Communication Research, Chinese and Vietnamese Consumer Profile, 1997.

Alternatives for International Long-Distance Service: Price Comparisons

Following the break-up of AT&T and deregulation of long distance service, the number of international telephone calls originating in the United States skyrocketed from some 200 million calls in 1980 to more than 10.8 billion calls in 2004.¹⁶ In response to this soaring demand, telecommunication companies created numerous products and services to serve customers in different segments of the international long-distance market. These services include products developed for low-income households, driven by the absence of federal USF support for international calling and the significant market demand of large numbers of low-income immigrants.

In this analysis, we examine four major product classes for international calling. Consumers today can 1) purchase prepaid calling cards which can be used from home phones or public pay phones for a designated period of talking time or a designated amount of money; 2) sign up for a discount calling plan from a primary long-distance telephone company; 3) use a 10-10 dial-around service provider; and/or 4) subscribe to a wireless service plan. International calls generally are priced by the minute at rates set according to the country being called and the time and day of the call. The total charge for an international call also may include a minimum calling time, a connection fee and a monthly fee. These various charges produce a wide range of prices. For example, the price of a call from the United States to Mexico can range from \$2.45 per-minute using a landline long-distance carrier to less than 10-cents per-minute using a dial-around service and 7-cents per-minute with a small biweekly fee using a prepaid calling card.

To compare pricing across multiple calling plans and the four forms of service, we calculated the average price of a 30 minute call to each of the 11 primary countries of origin for immigrants residing in the United States (listed in Table 1), charged by the three least expensive service providers in each of the four major forms of service. These prices include an allocation of fixed costs such as connection and maintenance fees, which we adjusted to a weekly basis for comparison purposes, as well as the per-minute price of the call. The estimates do not include monthly service fees for landline residential phones and a common surcharge, usually 50-cents, when consumers use a public phone for a prepaid calling card connection.

This analysis established large differences in pricing based on the form of service. The average charge for a 30-minute call from the United States to the 11 countries in the calling basket is \$6.21 using prepaid calling cards, \$9.82 using discount international calling plans placed through home landline carriers, \$7.59 using 10-10 dial-around services, and \$17.13 using a mobile phone. (Table 3, below.) Compared to prepaid calling cards, the dial-around service is 22.2 percent more expensive, landline calling plans are 58.1 percent more expensive, and mobile service is 175.8 percent more expensive.

These price rankings were also generally consistent for calls to each of the 11 countries examined, with a few exceptions. Prepaid calling cards were the least expensive alternative in all cases except calls to Cuba, in which the landline discount calling plan was less expensive, and calls to Italy and the United Kingdom, for which the dial-around service was less costly.

¹⁶ Federal Communications Commission, *2004 International Telecommunications Data*, Table A1, March 14, 2006.

Similarly, the dial-around service was the second least-expensive alternative in all cases except calls to Cuba and the Philippines, in which both landline discounts and prepaid calling cards were less costly, and calls to Italy and the United Kingdom.¹⁷

Table 3: Average Pricing for 30-Minute International Calls

Country	Number of Low-Income Immigrants	Prepaid Calling Card	Landline Calling Plan	Dial-Around Service	Mobile Phone Service
<i>Latin America</i>					
Mexico	5,932,000	\$2.48	\$4.28	\$3.09	\$10.80
Cuba	462,000	\$34.25	\$30.38	\$35.19	\$50.10
Dominican Republic	368,000	\$2.85	\$6.08	\$3.39	\$26.10
El Salvador	364,000	\$3.37	\$7.58	\$5.79	\$10.20
Haiti	267,000	\$4.86	\$15.38	\$10.29	\$16.20
<i>Asia</i>					
China	464,000	\$1.17	\$4.88	\$1.89	\$7.20
Vietnam	267,000	\$6.86	\$17.18	\$7.89	\$32.40
India	267,000	\$4.42	\$9.98	\$6.39	\$11.40
Philippines	265,000	\$4.56	\$5.78	\$6.39	\$8.40
<i>Europe</i>					
Italy	160,000	\$1.74	\$3.38	\$1.59	\$7.80
UK	143,000	\$1.74	\$3.08	\$1.59	\$7.80
<i>Average</i>		\$6.21	\$9.82	\$7.59	\$17.13

These systematic differences in pricing strongly suggest that prepaid calling cards are the telecommunications market's response to the high demand of low-income immigrants for international long-distance service.

¹⁷ International calls from the United States to Cuba are uniformly and significantly more expensive than calls to the other ten destinations. To ensure that the price of calls to Cuba did not distort the averages, we also calculated prices and averages without Cuba. The average price of a 30-minute call from the United States to the other ten international destinations was \$3.41 using prepaid calling cards, \$4.83 using a dial-around service, \$7.76 using a landline discount calling plan, and \$13.83 using a wireless service provider. Eliminating Cuba from the calculation significantly increases the gap between the price of the basket of international calls using prepaid calling cards and other forms of service: Compared to prepaid calling cards, the average price of a 30-minute international call to the ten foreign countries is about 42 percent higher using a dial-around service, 128 percent higher using a landline calling plan, and 306 percent higher using cellular service.

Pricing Structures

Prepaid Calling Cards

Under prepaid calling card plans, consumers purchase a card in advance containing billing units corresponding to either a preset charge such as \$5, \$10 or \$25, or a preset number of minutes such as 30 minutes, 60 minutes or 90 minutes. The card can be used for local or long-distance calls and includes a toll-free access number for the consumer and a personal identification number (PIN) used by the card company to track the calling time used. These cards can be purchased using cash or credit cards at many venues, including newsstands, post offices, retail stores and service stations. Some prepaid calling cards contain expiration dates, which vary from 30 days to 365 days from day that the first billing unit is used. Prepaid calling card plans also generally offer discounted rates for international calls. Since a consumer can make a prepaid calling card call using a residential landline or a public pay phone, the service offers particular convenience for travelers and households that do not have presubscribed long-distance telephone service through their residential phones.

Although prepaid calling card rates for U.S. domestic calls have fallen to as low as one-cent per-minute, the prices for international calls vary substantially based on the destination country, the way a consumer uses the card, and other surcharges and fees. The per-minute cost of calls to the 11 countries examined here averages about 18-cents and ranges from 2-cents per-minute for calls to China and 3-cents per-minute for calls to Italy and the United Kingdom, to 21-cents per-minute for calls to Vietnam and \$1.13 per-minute for calls to Cuba. The connection fees for prepaid calling card calls, which average 11-cents per call, range from zero for calls to Mexico, Haiti, Vietnam, India and the Philippines, to 17-cents for calls to China and Cuba and 66-cents for calls to the Dominican Republic. Similarly, maintenance or service fees, which generally are charged on a daily, weekly or monthly basis, average 56-cents per-week and range from 18-cents for calling cards to Cuba to 82-cents for cards to India. Taxes and government surcharges range from 7.5 percent to 15 percent.

The prices for each country shown in Table 4, below, were calculated using an average of the three lowest-priced prepaid calling cards for calls to each of the 11 countries that were the original homes to large numbers of low-income immigrants currently residing in the United States.¹⁸ As we will see, these prices are generally substantially less than those charged for the same international calls using other types of telecommunications service.

¹⁸ The calculations do not include a charge of 24-cents to 75-cents applied to completed prepaid calling card calls made from public pay phones.

Table 4: Average International Rates Using Prepaid Calling Cards¹⁹

	Price Per Minute	Connection Fee Per Call	Maintenance Fee Per week	Total Price, 30-Minute Call
<i>Latin America</i>				
Mexico	\$0.07	\$0.00	\$0.38	\$2.48
Cuba	\$1.13	\$0.17	\$0.18	\$34.25
Dominican Republic	\$0.06	\$0.66	\$0.39	\$2.85
El Salvador	\$0.09	\$0.15	\$0.52	\$3.37
Haiti	\$0.14	\$0.00	\$0.66	\$4.86
<i>Asia</i>				
China	\$0.02	\$0.17	\$0.40	\$1.17
Vietnam	\$0.21	\$0.00	\$0.56	\$6.86
India	\$0.12	\$0.00	\$0.82	\$4.42
Philippines	\$0.13	\$0.00	\$0.66	\$4.56
<i>Europe</i>				
Italy	\$0.03	\$0.05	\$0.79	\$1.74
UK	\$0.03	\$0.05	\$0.79	\$1.74
Average	\$0.18	\$0.11	\$0.56	\$6.21

Landline Long-Distance Services

When consumers install a residential landline phone and initiate residential service -- or at any subsequent time -- they can select a primary (presubscribed) long-distance carrier and a particular calling plan offered by that provider. These calling plans are essentially monthly agreements between consumers and their designated long-distance companies to secure domestic and international long-distance service at quoted rates, plus monthly fees that typically range from \$3 to \$8. These plans are by far the most common form of international calling service used by Americans. Their international rates, however, vary significantly from plan to plan, as well as based on the time and day that the consumer places a call.

The prices provided in Table 5, below, are based on the average price per-minute, average monthly fee (adjusted to a weekly basis, so they can be compared with other providers), and average total cost for a 30-minute call from the United States to each of the 11 countries examined here, charged under the three least expensive discount calling plans offered by major landline long-distance providers.

The analysis found that consumers using the discount calling plans of the major landline service providers pay an average of \$9.82 for a 30-minute call from the United States to the 11 countries in the calling basket. The price of these calls from the United States ranges from \$3.08

¹⁹ Consumer Action, "2004 Telephone Rates Survey," 2004, <http://www.consumer-action.org/archives/English/library/surveys/index.php>; and "2002-2003 Long Distance Rates Survey," 2003, http://www.consumer-action.org/archives/English/CANews/2002_LongDistance.php.

for calls to the United Kingdom and \$3.38 for calls to Italy, to \$17.18 for calls to Vietnam and \$30.38 for calls to Cuba. The monthly service fee, calculated on a per-week basis, is 68-cents regardless of which country a consumer calls. Therefore, all of the pricing differences reflect the per-minute charges.

The average, per-minute charge for calls from the United States to the 11 countries is two-thirds more expensive using a landline discount calling plans (30-cents) than using prepaid calling card (18-cents). However, the average monthly fees for discount landline calling plans (68-cents) are nearly the same as the average connection fees and maintenance fees for prepaid calling cards (67-cents). As a result, the average total price for a 30-minute call to the 11 destinations is 58 percent higher using a landline discounted calling plan (\$9.82) than a prepaid calling card (\$6.21).²⁰

Table 5: Average International Rates of Landline Discount Calling Plans²¹

	Price Per Minute	Monthly Fee Per Week	Total Price, 30-Minute Call
<i>Latin America</i>			
Mexico	\$0.12	\$0.68	\$4.28
Cuba	\$0.99	\$0.68	\$30.38
Dominican Republic	\$0.18	\$0.68	\$6.08
El Salvador	\$0.23	\$0.68	\$7.58
Haiti	\$0.49	\$0.68	\$15.38
<i>Asia</i>			
China	\$0.14	\$0.68	\$4.88
Vietnam	\$0.55	\$0.68	\$17.18
India	\$0.31	\$0.68	\$9.98
Philippines	\$0.17	\$0.68	\$5.78
<i>Europe</i>			
Italy	\$0.09	\$0.68	\$3.38
UK	\$0.08	\$0.68	\$3.08
Average	\$0.30	\$0.68	\$9.82

Dial-Around Services

Most American consumers can choose to use a 10-10 dial-around service for domestic or international long-distance calls from most residential phones. The terms “10-10” and “dial-around” originated with the long-distance access codes consumers could use to bypass their

²⁰ Excluding calls to Cuba, the average total price for a 30-minute international call is 128 percent higher using a landline calling plan (\$7.76) than a prepaid calling card (\$3.41).

²¹ Consumer Action, “2004 Telephone Rates Survey,” 2004, <http://www.consumer-action.org/archives/English/library/surveys/index.php>; and “2002-2003 Long Distance Rates Survey,” 2003, http://www.consumer-action.org/archives/English/CANews/2002_LongDistance.php.

primary (presubscribed) long-distance service. Dial-around charges appear on customers' monthly telephone bill, and most 10-10 services offer discounted rates on international calls. While some local telephone companies have not contracted with 10-10 services, surveys indicate that nearly one-fifth of Americans have used a dial-around service for a long-distance call. Landline long-distance companies own many of the better-known dial-around services, including AT&T's "Lucky Dog" 10-10-345 plan and Verizon's Telecom USA 10-10-220 and 10-10-321 services.

The average, per-minute charge for calls to the 11 countries using dial-around is one-third higher (24-cents) than a prepaid calling card (18-cents). The average connection fees for 10-10 international service (39-cents) are less than the average connection and maintenance fees for prepaid calling cards (67-cents). All told, the average price for a 30-minute international call to the 11 countries is about 22 percent higher using a dial-around service (\$7.59) than a prepaid calling card (\$6.21).²²

Table 6: Average International Rates Using Dial-Around Service²³

	Price Per Minute	Connection Fee	Total Price, 30-Minute call
<i>Latin America</i>			
Mexico	\$0.09	\$0.39	\$3.09
Cuba	\$1.16	\$0.39	\$35.19
Dominican Republic	\$0.10	\$0.39	\$3.39
El Salvador	\$0.18	\$0.39	\$5.79
Haiti	\$0.33	\$0.39	\$10.29
<i>Asia</i>			
China	\$0.05	\$0.39	\$1.89
Vietnam	\$0.25	\$0.39	\$7.89
India	\$0.20	\$0.39	\$6.39
Philippines	\$0.20	\$0.39	\$6.39
<i>Europe</i>			
Italy	\$0.04	\$0.39	\$1.59
UK	\$0.04	\$0.39	\$1.59
<i>Average</i>	\$0.24	\$0.39	\$7.59

²² Excluding calls to Cuba, the average total price for a 30-minute international call to the other 10 countries is 42 percent higher using 10-10 service (\$4.83) than a prepaid calling card (\$3.41).

²³ Consumer Action, "2004 Telephone Rates Survey," 2004, <http://www.consumer-action.org/archives/English/library/surveys/index.php>; and "2002-2003 Long Distance Rates Survey," 2003, http://www.consumer-action.org/archives/English/CANews/2002_LongDistance.php.

Mobile Wireless Services

The mobile wireless telephone industry has become increasingly popular and competitive in recent years. In 1999, the FCC extended truth-in-billing rules to mobile wireless phone bills, and those bills now must be accompanied by a clear description of the services provided. While many consumers find it difficult to compare prices associated with the numerous products and services offered by mobile wireless carriers, users pay substantially higher prices for the convenience of the service, especially in making international calls.

The average, per-minute charge for calls from the United States to the 11 countries is 178 percent higher using mobile wireless service (50-cents) than using prepaid calling card (18-cents). The average airtime fee, per-minute for mobile wireless service is 7-cents, or \$2.10 for a 30-minute international call, compared to the average connection and maintenance fees for prepaid calling cards of 67-cents. All told, the average total price for a 30-minute international call to the 11 countries examined here is 176 percent higher using a mobile wireless carrier (\$17.13) than a prepaid calling card (\$6.21).²⁴

Table 7: Average International Rates of Mobile Wireless Carriers²⁵

	Price Per Minute	Airtime Fee Per Minute	Total Price, 30-Minute Call
<i>America</i>			
Mexico	\$0.29	\$0.07	\$10.80
Cuba	\$1.60	\$0.07	\$50.10
Dominican Republic	\$0.80	\$0.07	\$26.10
El Salvador	\$0.27	\$0.07	\$10.20
Haiti	\$0.47	\$0.07	\$16.20
<i>Asia</i>			
China	\$0.17	\$0.07	\$7.20
Vietnam	\$1.01	\$0.07	\$32.40
India	\$0.31	\$0.07	\$11.40
Philippines	\$0.21	\$0.07	\$8.40
<i>Europe</i>			
Italy	\$0.19	\$0.07	\$7.80
UK	\$0.19	\$0.07	\$7.80
Average	\$0.50	\$0.07	\$17.13

²⁴ Excluding calls to Cuba, the average total price for a 30-minute international call is 306 percent higher using cellular service (\$13.83) than a prepaid calling card (\$3.41).

²⁵ Consumer Action surveys, individual calling plans offered by wireless telephone service providers. See Consumer Action, "2004 Telephone Rates Survey," 2004, <http://www.consumer-action.org/archives/English/library/surveys/index.php>; and "2002-2003 Long Distance Rates Survey," 2003, http://www.consumer-action.org/archives/English/CANews/2002_LongDistance.php. The estimates are an average of the charges of the three least-expensive wireless service providers.

Conclusion

Telephone service is a basic necessity of American life, acknowledged by the national government through the provision of the Link Up and Lifeline subsidies to reduce the cost of an initial telephone connection and basic monthly service for low-income households. However, the federal Universal Service Program that provides these subsidies fails to cover international calls, which are a particular necessity for immigrants, the largest category of low-income households in the United States.

Telecommunications companies have responded to fast-growing demand for international calling with a range of services and plans, including prepaid calling cards, discount plans offered by landline providers, 10-10 dial-around services, and mobile wireless plans. Our analysis of the pricing of calls from the United States to the 11 major native countries of recent immigrants to America, based on an average of the three lowest-priced providers in each of the four categories, establishes that prepaid calling cards are significantly less expensive than the other alternatives. Prepaid calling cards, especially combined with Link Up and Lifeline services for domestic calls, provide the relatively inexpensive access to international calling required by millions of low-income immigrants. The development of prepaid calling cards, with their relatively low infrastructure-investment requirements and reduced risk of subsequent billing defaults, represents an economically-efficient response to the lack of international long-distance coverage in the federal USF, contributing to the ability of millions of immigrants to participate in and help expand the U.S. economy.

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