



Card Games

Prepaid phone cards
offer cheap long-distance rates
but consumers better beware

BY ANNE PAPMEHL
SPECIAL TO THE STAR



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Dialling 'C' for card games

Anne Papmehl
Special to the Star

When Galina Belova, 47, of Toronto wants to call across the miles, she uses her Gold card. Not the credit card, but a prepaid long-distance phone card.

Five dollars buys her half an hour of talk time with her extended family in Russia or 90 minutes with her daughter in Windsor. Compared with what she paid Bell for long distance, that's a deal, she maintains. "It would cost me about \$25 for a 15- or 20-minute call overseas," she says.

People like Belova, a legal assistant, are bridging continents and calling more than 200 countries at bargain prices, thanks to a 1990 Canadian Radio-television and Telecommunications Commission decision to allow the reselling of capacity by the telecom giants. Companies such as AT&T Canada, BCE and Sprint sell capacity at bulk rates to wholesalers who resell them through middlemen in the form of prepaid phone cards.

A new business was born and, with it, gimmicks galore and a mixed bag of consumer rants and raves.

The bottom line is that the selling of phone cards is unregulated in Canada, and this had made it as attractive to fly-by-night operators as reputable carriers.

Some of the more visible brand names now available include Alto, Omega 649, Top, Vox, and Lucky. There are many, many more.

They range in credibility "from reasonably good to downright crooks," says Ian Angus, president of Angus TeleManagement Group in Ajax, which helps businesses choose telecommunications services.



DICK LOEK/TORONTO STAR

LOWBALLING?: Competing phone card firms grab attention by posting very low rates but confusing extra charges often eat up savings.

The good prepaid cards, Belova has found, offer reliable service and real savings. Bad ones take your money and run. Unfortunately, the way the cards are marketed makes it hard for consumers to figure out which is which.

Sold in denominations of \$5, \$10 and \$20, the cards are cheap enough to appeal to students, immigrants and ordinary talkers who rack up a lot of long-distance minutes.

Up to a point they are convenient. A phone card lets you call at low rates from almost anywhere: pay phones, the office, cellphone, even outside the country.

Making the call isn't as easy as dialing "1." The consumer engages in an elaborate choreography of number-punching, starting with a seven- to 10-digit access number, followed by a personal identification number (PIN), followed by the long-distance number they are trying to reach.

You don't need a phone number, address or credit history to buy a prepaid long-distance card, making it a handy option for newly arrived immigrants or foreign visitors.

Posters advertising the low rates prepaid cards claim to offer have become ubiquitous at convenience stores, post offices, gas stations and in some of the larger retail outlets like Canadian Tire.

The rates vary depending on destination called and, sometimes, what the individual card company determines them to be. Caveats and conditions are many, and even using a stopwatch and math skills it would be hard to figure the real rate out.

If consumers are fortunate enough to find a reliable brand, chances are they'll get through at a good rate. If not, well, the complaint probably ranges from the line not working to being charged all sorts of hidden fees to a card mysteriously expiring before the expiry date.

And that's what makes phone cards a study in ambiguity. Belova says it took her three years and several wasted \$5 bills before she found a card she liked, her Gold card, part of the Gold Line brand. In the process, she encountered many shenanigans. But now she no longer uses Bell long-distance service.

Her first card "had a strange sounding connection, and echo, and then it would just cut off," she said. "Another one ate up my money without any explanation."

Edward Kurms, 34, manages to get about 50 minutes for \$10 with Eurocard, to call a small town in Bosnia and Herzegovina called Graenica. But when he tried to call Trikkala, a Greek village, the connection wouldn't go through. "It's a bit hit and miss," he says."

The array of brand names is bewildering.

There are different-looking cards belonging to the same company that may offer different rates or conditions, or be virtually identical. And there are cards with similar names or a number of similar-sounding names that in fact are very different, each belonging to a different company.

Some in the industry recognize this is a problem, and that it may be putting potential customers off.

At Richmond Hill-based Gold Line, one of the few firms that maintains a Web site, founding partner Nedeia Moeini says her firm has a card called Cici and so do others, branded Sea Sea, CC, or Si Si.

If a customer goes into a store that carries them, "and says 'I want a Cici card,' any one of these things can be given to them."

So when a reseller tries to establish brand loyalty, and earn repeat business through satisfied customers, it isn't easy.

Many phone card firms are hard to reach to make enquiries. A few have Web sites; very few list business addresses on their cards. Telephoning the customer service phone numbers listed on cards may or may not get through to a person; sometimes a recording tells the caller to try again another time.

But here's more ambiguity: Despite problems like these people are buying phone cards in droves and, in the United States the business is raking in revenues of more than \$2 billion (U.S.) a year.

At its simplest, the business operates like this: The reseller rents lines or buys a certain amount of time or volume from a wholesaler like Bell. All that's needed are a phone, a computer and a switch. When a call comes in, the computer checks the validity of the caller's PIN number, the amount of remaining time available and, if all is well, then asks the caller to dial the number she wants to reach.

For some of these privately owned businesses, activity is restricted to one aspect of the operation, such as producing cards, or else reselling them.

Others, like Richmond Hill-based Gold Line, are more sophisticated, with their own technical support, switch facilities, calling-card design and production facilities, advertising, marketing and customer service personnel.

According to Angus, the cards are profitable not only because companies buy wholesale and sell retail, but also because customers pay in advance for the service they buy.

"The biggest source of revenue is not the fact that they buy wholesale and sell retail," he maintains, "but that they've got the float. They sell all the cards and they get to keep all the money before you use the card. And that means instead of getting paid a month later the way phone companies do, they get paid maybe a month early and they can invest that money."

In addition, they know from experience that an awful lot of cards never get fully used; someone may buy \$20 worth of long distance but only use \$15 and there's another \$5 for the phone card company."

On the cards, key bits of information may not be given. For instance that there may be a "maintenance fee" that kicks in on the first call. At intervals thereafter, sometimes daily, a "fee" is deducted, until the card is worthless, even if no more calls are made. Customers who complain by phone are sent to the fine print in the posters displayed at retailers.

That fine print may blur the matter further. "Prices subject to change without notice," begins a typical notice from one phone-card information sheet, posted last week at a Bloor St. convenience store. "A daily additional charge may be applicable. Rates and minutes quoted may not include applicable taxes. *No connection fee and minutes shown are based on a single call. Increments may vary. Service fee may apply. . . Multi-minute rounding may apply. There may be a minimum first-minute charge. Audio-test, special numbers, cellular connections incur extra charges."

This kind of obfuscation has made handling phone cards challenging for the middleman at street level ?vendors like Reza Barzanjah, owner of an International News franchise in London, Ont.

Stores want to sell phone cards because they represent a handsome profit centre, in some cases bringing in an extra \$4,000. But if they aren't reliable, customers come back, upset.

"When (resellers) bring a new product to the store, we often hesitate to accept it," says Barzanjah. "We have no way of knowing the company is reliable, and some resellers want to be paid right away. Even if we sell on consignment, we're never sure if the customer will come back angry or buy it again."

This puts vendors in the unenviable position of being part adviser, part watchdog. Barzanjah now asks customers who purchase phone cards from him to report back on whether they are satisfied. "That way I can help advise other customers," he says.

And customers advise one another. Asking friends, colleagues or neighbours is how many phone card users develop brand awareness. Word gets around if a card works well, or is ultimately a rip-off.

Veteran phone card users like Belova caution that there is no one size that fits all. "In the end, you need to find the right card for you," she says, and you may have to try some out, read a lot of posters, or talk to other people with long-distance needs similar to yours.

Angus, the consultant, believes that one of the reason why consumers seem to tolerate what seems to be a shell game is because phone cards are a fairly small purchase a \$5 to \$20.

He won't use the cards himself.

"I have yet to see one that was a bargain compared to what I could get from a regular long-distance company," he says. "Almost anybody can get really good deals on phone service if you're making enough calls that you can justify buying a phone card."

And if you seldom make long distance calls, watch for "maintenance fees" and expiry dates.

Yet, whatever reservations consumers have, the outlook for the phone card industry looks promising.

"I think if these companies have a good strategy for the long term and improve their service, they will succeed," says Barzanjah, who believes the phone card business has come a long way in the past few years. "I know that two or three years ago, there were a lot of difficulties, even technical problems with the lines."

Angus, too, believes the business will continue to grow. "It's very hard to prove fraud. You try and find anywhere on their sign that they guarantee a certain quality, that calls won't be disconnected or that you'll actually get through when you try. They don't.

"They guarantee absolutely nothing. All they guarantee is that they're going to give you a piece of plastic that says phone card on it."

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Calling regulators: what card users need to know

BY ANNE PAPMEHL
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The proliferation of phone card offerings in unregulated markets has left consumers vulnerable to myriad shenanigans, schemes and complaints.

■ A woman buys a \$5 phone card offering 400 minutes of domestic long-distance calls. She makes her first call and learns she has 60 minutes left. Must have something to do with the fact that she's using it from out of town, she deduces. She leaves a short voice mail message with the person she called and hangs up. The next time she uses the card she learns she has only 50 minutes remaining. Ten days later, the card has expired without her using it again.

■ A man buys a \$5 card and makes one brief call. A couple of weeks later, making another call, a recording says he's out of time. When he calls customer service, he is told there is a 29-cent "daily maintenance" charge; the value of his card had evaporated. No mention of this is made on the card itself. The consumer checks the phone card poster at a retailer, finding the charge in the fine print. He won't buy that card again.

■ Another woman purchases a card and finds herself with a similar hidden charge. She calls customer service and gets a recorded phone message again and again. "Thank you for calling our prepaid customer service department. All of our agents are busy at the moment, so please try your call again. Thank you." No message can be left. Calling back, as instructed, gets the same message.

- Full security measures in effect.
- Fraudulent use of phone card will result in cancellation. No refund or exchange.
- Pleines mesures de sécurité en vigueur.
- L'usage frauduleux de cette carte d'appel résultera en son annulation. Aucun échange ou remboursement.

By using this phone card you accept the following terms and conditions:

Prices subject to change without notice. Prices based on using local access number. A daily additional charge may be applicable. Rates and minutes quoted may not include applicable taxes. No connection fee and minutes shown are based on a single call. Call increments may vary. Service fee may apply. Payphone and other surcharges will be added as applicable. Liabilities limited to value of the card only. Not responsible for disconnections on calls made to overseas cellular phones. Rate per minute based on \$20 card. Multi-minute rounding may apply. There may be a minimum first minute charge. Audio text, special numbers, cellular connections incur extra charges. For complete clarification on all charges visit our website.

DICK LOCK/TORONTO STAR

PURPLE PROSE: Fine-print on a phone-card poster suggests many extra charges and fees may be levied, but how much and when?

■ A friend of hers who purchased a phone card with another brand reports the same story and identical recorded message on the customer service line.

"These are the types of stories that Dave Shoobert, commerce officer at the Fair Practices Branch of the Competition Bureau, is hearing a lot.

"It's accurate to say there are some good phone card companies and some bad ones out there," says Shoobert. "Some companies give good value, but there are others that our office has received complaints about over the last two years and they're usually related to phone cards not working as advertised."

Charges, fees, and surcharges may be mentioned on the fine print on advertising posters, but when they apply and what you actually pay may not.

"Some of the companies have twisted the small print in a way that makes it look as if the rates are low, but the reality is those rates are based on the first call," says Reza Barzanjah, who runs an International News franchise in London, Ont.

There are other non-card based long-distance services that offer discounts. But here, too, service runs the gamut from very reliable to completely Mickey Mouse. Many consumers get frustrated and return to Ma Bell.

This all begs a question or two about who is protecting consumers. The Telecommunications Act of 1993 declared resellers unregulated. Previously, the CRTC regulated how the resellers bought time from the big players. It stopped when throngs of long-distance carriers entered the market.

"When there is enough competition,

we pull out," explains Denis Carmel, spokesperson of the CRTC in Gatineau, Que. "The purpose of the CRTC is to protect customers against unfair prices in a monopolistic world, but when a monopoly no longer threatens the rates, we withdraw."

The only types of telecommunications companies CRTC now regulates are those defined as "Canadian Carriers," companies that own telecommunications facilities in Canada such as AT&T Canada, Bell Canada or Sprint.

But even if the carrier itself is regulated, some of its services may not be. For example, many resellers use Bell Canada's long-distance services, which have been deregulated for some time.

Though there are potential savings, there is no way to know that the carriers are above board other than through trial and error.

However, while phone card resellers are unregulated, they are still bound by other laws such as truth in advertising, unfair pricing and the Competition Act, whose main purpose is to make sure fair competition is not hindered in deregulated markets.

"This is the same statute that looks at price fixing, misleading advertising and ensuring that mergers are competitive," says Shoobert. "We have misleading advertising provisions which apply to every industry, and includes phone cards."

He says that, when it comes to enforcing the law, the inconsistencies of phone cards make for exasperating work.

"We look into complaints and one of the things we do, obviously, is buy phone cards," says Shoobert. "Some-

times a card won't work one day and then we use it the next day and, guess what, it works! That's where it gets really awkward. It makes it very difficult to prove an offence under the Act."

"There are definitely some tricks finding the right card," says Shoobert, who suggests consumers look for a well-known, well-liked brand. "I'd say the odds are you're going to end up with a better product."

Start with the lowest denomination. "I'd say that if a customer buys a \$5 card that doesn't work as hoped, well don't buy from that outfit again."

Determine your long-distance needs: Do you make long or short calls? Occasional or frequent? Domestic or international? Try to find the best card for those needs. But be careful with cards designed for specific calling destinations like Asia, Africa or the Middle East. Be aware that the way minutes are counted and deducted on different calls, to different places, are all over the map.

Read the fine print, and between the lines of it, if possible. Be wary of cards that advertise extremely low per-minute rates. Those tend to be the ones with the highest surcharges and maintenance fees.

Be aware if extra charges apply for a 1-800 link-up number. If you plan to use your card from more than one city, select one offering several local access numbers in the cities from where you are likely to use it.

Finally, if you have a complaint, contact the Competition Bureau at 1-800-348-5358. For additional information, the CRTC has a guideline sheet on its Web site, www.crtc.gc.ca.