

THE NEW CENTER



Policy Paper

Think Centered

Robocalls

Big Telecom's Big Problem

In December 2018, the average American received over 14 robocalls.^{1*}

Many of these are unwanted intrusions, with callers hawking everything from low-interest loans and credit card debt forgiveness to discounted vacations.

The problem will only get worse. **In 2019, half of all calls made to people in the U.S. are projected to be spam.**²

These calls are a form of digital pollution—costing us time and money, violating our privacy, and degrading trust in the communications and technology networks upon which we increasingly depend.

The New Center has investigated the scale and causes of America’s robocall epidemic and concluded the current system for regulating robocalls just doesn’t work.

It’s a system that relies on understaffed agencies like the Federal Trade Commission (FTC) to police an impossible number of illegal calls, creating an endless game of whack-a-mole that American consumers will lose every time.

It is time to fundamentally change the game. Telecom companies can and should step up to play a much greater role in solving the robocall problem, either voluntarily or with fines to drive their behavior.

Telecom companies already have the technology to do it. Now, they just need the will.

* Throughout this report, The New Center uses the word “robocalls” to refer to:

- Automated calls made to mobile phone users, not landlines. This is why our total number of robocalls falls slightly lower than other estimates.
- Both legal and illegal automated calls.

This paper was developed with indispensable research and writing contributions from the New Center policy team: Julia Baumel, Evan Burke, Zane Hefflin, Laurin Schwab and Aleksandra Srdanovic.



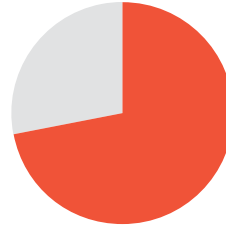
The Problem

How Bad Is the Problem?

Robo-dialed and unwanted telemarketing calls were the top consumer complaint to the Federal Communications Commission (FCC) in both 2017 and 2018.

In 2017, robocalls cost U.S. consumers \$9.5 billion.³ A year later, the number of robocalls in the U.S. surged 60% to 48 billion calls.⁴

Many calls came from fraudulent criminal groups trying to swindle consumers out of their savings.



72%

of Americans had signed up for the National Do Not Call Registry by 2007, assuming this would protect them from unwanted robocalls.

According to a November 2018 HarrisX survey to adults in the U.S.:



80%

of adults have received at least one unsolicited phone call from a telemarketer on their cell phones or smartphones.



50%

of adults do not use any solution to block unsolicited calls from telemarketers.



52%

of those who have received an unsolicited call from a telemarketer in the last week have received five or more calls in the last week.



62%

of those who have ever received an unsolicited call from a telemarketer have received at least one within the last week.

The Magnitude of the Problem

A decade ago, most telemarketing came from legitimate businesses. As a result, stopping automated sales calls was fairly easy. In 2003, the Federal Trade Commission (FTC) launched the National Do Not Call List, which removes registered numbers from for-profit business call directories, and threatened fines for businesses that called consumers on the list.⁵ While the Do Not Call List doesn't physically block business calls to a specific number, it makes it easier for the FTC to levy fines or launch lawsuits based on consumer complaints.⁶ By 2007, 72% of Americans had registered for the Do Not Call List, and 77% of these people said the action had reduced the number of unwanted sales calls they received.⁷

Unfortunately, unwanted robocalls are on the rise once again, this time from fraudulent criminal groups. Technological advances have made it easy for them to flood the system with calls, and the number of robocall-related complaints to the FTC increased from 3.4 million to 4.5 million between 2016 and 2017—an uptick of 32%.⁸

In November 2018, less than half (46%) of American adults reported being registered with the National Do Not Call List—a distinct drop from the 72% sign-up rate of 2007.⁹ The culprit? Americans have lost confidence in its effectiveness for spam prevention.

HOW ROBOCALLERS TRY TO DEFRAUD YOU

Estimated volumes of top phone scams in March 2018

| Category | Type | Volume |
|-------------------|----------------------------------|--------|
| Interest rates | "0% interest rates" | 122.9m |
| Credit cards | "Problem with your credit card" | 82.5m |
| Student loans | "Forgive/lower student debt" | 71.0m |
| Business loans | "Preapproved for business loan" | 53.4m |
| I.R.S. | "Owe money to the I.R.S" | 43.4m |
| Search listings | "Listing has a problem" | 31.0m |
| Travel | "Free/discount trip" | 27.0m |
| Preapproved loans | "Ready to wire - just need info" | 26.2m |
| Home security | "Free service/installation" | 26.1m |
| Utilities | "Save money - need your info" | 19.2m |

Source: YouMail

Are All Robocalls Illegal?

Robocalls, or automated calls, aren't always illegal—and neither is spoofing, the deliberate disguising of one's number. Schools and communities use robocalls to send alerts and important messages, and doctors call patients from personal phones with numbers spoofed to show up as their offices. Spoofing only violates the law when it causes harm, and robocallers must follow the same rules as sales callers.¹⁰

The rules include:

- Respecting numbers on the National Do Not Call List (although charities, political organizations, and surveyors are exempt)
- Not calling residences before 8am or after 9pm local time
- Maintaining a company do not call list
- Not using artificial voices or prerecorded messaging
- Promptly providing one's name, telephone number, and address¹¹

Who Are the Victims of Robocall Scams?

While underreporting makes data sparse, the elderly are particularly victimized by robocalling scams. According to a 2015 study, mild cognitive impairment—which is more common in the elderly—reliably upped the chances that older Americans would be victimized by scams.¹²



Recent Regulatory Efforts

The Federal Communications and Trade Commissions oversee legal action against robocalls. Their tools for protecting consumers include fines to convicted robocallers and public complaint lists to help track fraud.¹³ In 2009, the FTC banned most forms of automated calls, including calls to numbers *not* registered on the Do Not Call List.¹⁴ In 2017, the FCC further advanced the fight against robocalls by giving phone companies the power to proactively block numbers suspected of fraud.¹⁵

Congress, too, has kept an eye on the issue. Lawmakers continue to debate the Robocall Enforcement Enhancement Act of 2018, which would increase the statute of limitations for illegal robocalls from one year to three.¹⁶

Why the Problem Persists

Robocalling technology presents several problems the FTC's regulatory framework struggles to solve. Voice-over-internet-protocol (VoIP) dialing—the same technology that makes Skype possible—allows telemarketers to place thousands of robocalls at a time from anywhere in the world.¹⁷ It also makes telemarketing significantly cheaper by requiring only a handful of human operators.

Unfortunately, the ban on robocalls is far from enough. The Federal Trade and Communications Commissions are simply outnumbered and outgunned. Combined, the FTC and FCC had just under 3,000 employees to fight the stunning 48 billion robocalls Americans received in 2018.¹⁸ And because the FTC pursues civil penalties instead of criminal ones, illegal robocallers face fines—which they often don't pay—instead of jail time.¹⁹



The Role of Telecoms

Private phone companies have the technological means to block unwanted calls. But they have refused to exercise this power, contending that robocall-blocking fell outside their legal purview.²⁰ They also claimed that taking drastic steps to prevent illegal calls accidentally stops important automated calls—like those relied on by Americans for weather warnings and prescription pick-ups.

In 2017, the FTC granted phone companies explicit legal authority to block spam calls. After that, businesses like Time Warner made the process of signing up for anti-robocall technology easier. Others, like AT&T, offered protections—but charged extra and set caps on the blocked call total.²¹ Verizon and AT&T, for example, offer a technology called Nomorobo for free on some services and for a price on others.²² The winner of the FTC's 2013 robocall-blocking challenge, Nomorobo functions by blacklisting phone numbers reported to the FTC, whitelisting approved robocalls (like school notifications and emergency alerts), and halting blacklisted calls after one ring.²³

The FCC has also begun encouraging telecom companies to implement a new call authentication system known as STIR/SHAKEN to combat spoofing. STIR/SHAKEN would require the originating and receiving carriers of a phone call to work together using public key authentication to confirm the call's legitimacy.²⁴ Functionally, it would be analogous to technology that classifies emails as spam.

Despite the FTC's go-ahead, American telecom companies remain hesitant to provide call-blocking tech universally and for free. These companies should emulate Primus Canada, a carrier that provides this option to Canadian consumers. Using a patented tool called Telemarketing guard, Primus Canada prevents blacklisted calls from ringing phones in the first place. Primus provides this service free of charge to its Canadian customers, nine out of ten of whom cite the tool as their top reason for retaining the firm's service.²⁵



The Solutions

1. A Dime for Every Robocall



Telecom companies that refuse to police robocalls should pay a price. Congress and the FTC should work together to evaluate telecom carriers' robocall-blocking performance, and they should punish those that flounder. Fortunately, this evaluation infrastructure already exists. The FTC website's telemarketing complaint form asks several questions to assess whether reported calls are illegal, such as the time of the call, the amount of money requested, and the caller's company information.²⁶ To punish carriers, the FTC should simply request the name of the carrier on the device that was illegally called. It can then fine carriers—a dime per call—for each illegal call reported on their networks. Considering there were 48 billion illegal robocalls in 2018, carriers could face as much as \$4.8 billion in fines if they fail to step up to the plate.²⁷

2.

Tougher Enforcement. Tougher Penalties. And Criminal Prosecutions

Although carriers should be incentivized through fines, the responsibility to fight robocalls is not theirs alone. Government agencies must be tougher in cracking down on those responsible for illegal robocalls.

SUGGESTED CHANGES INCLUDE:

- 1** The FCC and FTC should increase fines. In 2018, the agency fined illegal robocaller Adrian Abramovich \$120 million for 97 million robocalls—a rate of about one dollar per call. While it's unknown exactly how much money Abramovich swindled from the victims of his vacation scams, FCC Chairman Ajit Pai did report that the ruse disrupted the operations of an emergency medical paging provider. By slowing down the network, Pai stated, Abramovich could have delayed emergency medical care.²⁸
- 2** The FTC should collect fines more swiftly. From 2013 to 2015, the FCC announced approximately \$235 million in fines to communications firms—but as of November 2015, had collected \$0.²⁹ As of 2018, in fact, the FTC had only collected \$121 million in fines—a fraction of the total fines levied.³⁰ Slow and limited fine collection lets offenders off the hook and encourages others to try their hand at the illegal telemarketing trade.
- 3** The FTC should consider implementing criminal penalties on top of civil ones, as Connecticut did in 2018.³¹ Illegal robocalling businesses might think twice about their actions should they face time behind bars in addition to fines.

ENDNOTES

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