

**Statement of David Spofford,
Chief Executive Officer, Xigo, LLC**

Before the United States Senate Committee on Commerce, Science and Transportation

**“Unauthorized Charges on Telephone Bills: Why Crammers Win and Consumers Lose”
July 13, 2011**

Chairman Rockefeller, Ranking Member Hutchison, and Members of the Committee, thank you for having me here today.

My name is David Spofford. I am the founder and CEO of Xigo, a cloud-based communications expense management company, based in Manassas, Virginia. I want to thank you for your commitment to investigating this very important issue of cramming.

I have a 20 year background in telecommunications contracts and billing and I have never seen cramming as bad as it is today. As we process tens of thousands of carrier invoices every month and are responsible for removing third party charges for many of our clients, we are particularly interested in this subject matter. Cramming, or unauthorized charges by communications carriers on behalf of third parties, has been, and remains a problem for the industry.

Xigo manages approximately \$1 billion per year in telecommunications expenses for more than 200 clients. We have built software that helps companies of all sizes manage their communications expenses and identify areas where they can cut costs.

We are a member of the Telecommunications Expense Management Industry Association (TEMIA), for which I have served as President. Our clients spend from \$50,000 to over \$10 million per month for a variety of telecom services.

We monitor our clients' telecom invoices every month – allowing us to identify trends, recurring problems, and the results of our joint efforts to get control of telecom expenses. Because of this, we have a unique view into the world of telecommunications billing and services.

After reviewing three years of historical data, we have found the following information, that I hope will be helpful as you continue to investigate this problem:

- We have found 40,000 unique instances of cramming during that timeframe;
- The recurring amount for an average cram is approximately \$18 per month;
- We estimate that over 80% of business users experience cram charges;
- 71% of our customers have experienced a cram charge during the past 3 years.

Since the average charge is small and the time investment required to eliminate the charge is high, many customers simply pay the charge. Xigo has identified several major third party billing consolidators who are responsible for the majority of these charges. In addition, we have identified approximately 600 Third Party biller names that are used to bill nearly 3,000 different line item charges. The large quantity

of biller names that are used by a much smaller number of actual billers may be a strategy to avoid automated detection by systems like ours.

These charges often have descriptions such as "Voice Mail," "Email," "Directory Services," "Web Hosting" and other names that appear to be normal services to the customer. As it turns out, more than 99% of these charges are unauthorized by the customer and are for services that they are not receiving.

Decentralized, multi-location companies seem to have more exposure than other businesses. So large retail chains, for example, are particularly hard hit. The more invoices a business receives the harder cramming is to detect since it may be assumed that the remote location may have ordered one of these "services" being billed.

Xigo has provided the committee staff with the details of the names of third party billers and line item descriptions commonly used for the charges. The communications industry, both fixed and mobile, is already complex and growing quickly. A stop to the practice of cramming would be a welcome relief to all communications customers.

Chairman Rockefeller, Ranking Member Hutchinson and Members of the Committee, I thank you for your time. Xigo is committed to supporting your efforts in any way that we can. We look forward to working with you and putting a stop to this problem.