



## Phone call provider takes AT&T, AAFES to task

Says service members pay too much; company claims rate is reasonable

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The executive director of a nonprofit organization honored for its efforts to provide 1 million free minutes of phone calls for troops in the war zone used the ceremony at which he was feted to take on the Army and Air Force Exchange Service and AT&T.

John Harlow founded the Freedom Calls Foundation in late 2003 after hearing of a service member with a \$7,000 phone bill.

Outraged by what he called "monopoly rates of 22 to 44 cents a minute," Harlow said, he set out to find a better way. "Military families were paying \$50 million to \$100 million a year ... and I didn't think that was right."

Harlow's comments came as he accepted a \$15,000 award Sept. 5 from Newman's Own, a program run by the food company owned by actor Paul Newman that honors innovative charitable efforts to support service members and their families.

Seated near Harlow on the stage was Marine Gen. James Cartwright, vice chairman of the Joint Chiefs.

AT&T spokeswoman Amanda Ray, contacted later, defended the company's pricing, which is now 19 cents per minute from Iraq to the U.S.

"Various long-distance providers offer rates for calls placed from countries in the Middle East back to the U.S. at more than twice that rate," she said. "Some charge as much as 10 times more."

But Harlow contends he's managed to cut his costs to just 5.6 cents per minute, including satellite time and other costs.

"This is for a network run from a living room in suburban New Jersey, in which every cost is incremental," Harlow said. "AT&T already has massive infrastructure, and most costs for them are not incremental. They are just using existing capacity."

Ray would not disclose AT&T's costs per minute of international calling.

AT&T does not pocket the full cost for each phone card. A portion goes to AAFES, which passes on a share of its profits each year to the military services' morale, welfare and recreation funds. In 2007, AAFES returned \$9 million in dividends to Army MWR alone, just as a result of prepaid phone card sales.

But the use of prepaid phone cards has plummeted in Iraq, falling from a high of 12 million minutes in September 2007 to slightly more than 6 million minutes in July, said Craig Sewell, vice president of Resilian Communications, AAFES' communications division.

The Army has increased its ability to offer free morale calls, and AAFES now offers high-speed Internet service — for a fee — right in troops' living quarters. Those high-speed connections let troops make phone calls using their computers at virtually no cost.

"We're seeing a lot of people taking advantage of this," Sewell said. "Nineteen cents a minute strikes me as being reasonable," said one congressional staffer familiar with the issue.

Because of gradually decreasing infrastructure costs, he said, "I'll wager every year that goes by, AT&T is making more of a profit," but added that the company's initial investment in infrastructure should be taken into account in any such discussion.

"AT&T is a commercial entity," he said.

Sen. Sherrod Brown, D-Ohio, has introduced an amendment to the 2009 defense authorization bill that would require a report on each contract for MWR telephone services in combat zones that has been entered into by the Defense Department after Jan. 28, 2008.

The amendment would require an assessment of whether the contract was awarded competitively and would give service members the ability to use phone cards from other phone companies