

HOUSE BILL ANALYSIS

SSB 6367

Title: An act relating to telephone advertising clarity and disclosure.

Brief Description: Requiring telephone advertising clarity and disclosure.

Sponsors: Senate Committee on Energy, Technology & Telecommunications (originally sponsored by Senators Brown, Hochstatter, Roach, Kohl-Welles, Spanel, Franklin, Jacobsen, Prentice, Costa, McAuliffe, Fairley, Haugen, B. Sheldon, Thibaudeau, Shin, T. Sheldon, Bauer, Wojahn, Eide, Gardner, Patterson, Rasmussen, Winsley and Oke).

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS AND ENERGY

Meeting Date: February 22, 2000.

Staff: Julia Harmatz (786-7135)

Background:

Federal and state laws generally prohibit false or deceptive advertising, and a number of industries are subject to specific advertising regulations related to certain products or services.

For example, the Truth in Lending Act and its implementation regulations impose minimum disclosure requirements for credit card bills in order to "assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and . . . to protect the consumer against inaccurate and unfair credit billing and credit card practices." Section 226.7 of Regulation Z imposes requirements for specific information to be included on consumers' monthly credit card statements.

Washington does not specifically regulate the advertising practices of telecommunications carriers.

Consumer Protection Act

The attorney general may bring an action against any person to restrain and prevent unfair methods of competition and unfair or deceptive acts. In addition, any person can bring a private action to enjoin further violations of the consumer protection act to recover actual damages, costs, attorney's fees, and in the court's discretion, three times the actual damages sustained (up to \$10,000).

Summary of Bill:

Intent

The Legislature intends to require specific disclosures for calling plan advertisements.

New Chapter

A new chapter is created in title 19, miscellaneous business regulations.

The act is titled the telephone truth-in-advertising act.–

Definitions

The following definitions are added: Advertisements,– calling plan,– competitive local telecommunications service,– local toll telecommunications service,– and long distance telecommunication service.–

Calling Plan Advertisements in a Disclosure Statement

By September 1, 2000, calling plan advertisements that appear in writing, must clearly and conspicuously include the following information in a disclosure statement:

- effective rate per minute;*
- one time charges;
- incremental rates;
- recurring charges; and
- pass thru charges.

Other forms of advertisements such as telephone solicitations and audio and video advertisements (radio, TV) must include information where substantially the same disclosures may be obtained on request.

Failure to comply with these requirements is a defense to the nonpayment of charges on a telephone bill by a consumer.

Violations of the disclosure requirements are violations of the Consumer Protection Act.

**Effective Rate Per Minute*

The effective rate per minute is subject to a complex calculation that includes rates, charges and fees that would be incurred at different billing periods (weekday, night, weekend etc.) by a customer who makes 60 minutes of calls per month divided by 60 minutes.

Bundled Package

The disclosures must identify any variations in the rates, terms, and charges that apply separately to bundled packages of telecommunication services. The allocated prices must not be below cost.

Cancellation

After receipt of the disclosed information, a customer has three days to cancel a service at no cost or obligation.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Bill: The bill takes effect September 1, 2000.