

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

SENATE COMMITTEE ON
TELECOMMUNICATIONS AND CONSUMER AFFAIRS

April 9, 1991Hearing Room B
1:00 p.m.Tape 40 - 41

MEMBERS PRESENT:Senator Jolin, Chair
 Senator Otto, Vice-Chair
 Senator Kennemer
 Senator Bunn
 Senator Shoemaker

STAFF PRESENT: Cherie Copeland, Committee Administrator
 Apryl Poff, Committee Assistant

MEASURES HEARD: SB 1188 1-900 phone numbers, PUB.

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PUBLIC HEARING.
TAPE 40, SIDE A

005 CHAIR JOLIN: Calls the hearing to order at 1:12 p.m.

012 SB 1188 1-900 telephone numbers, PUB.

Witnesses: Ginny Lang, US West Communications.
 Ed Morrison, Public Utility Commission.
 Oren Floyd, United Telephone.
 Dave Overstreet, GTE Northwest.
 Pat Hickey, AT&T.
 James Prunty, Assistant Attorney General.

015 CHERIE COPELAND: Introduces video tape of 1-900 numbers from "Good Morning America" television program (ABC) (EXHIBIT A). This clip shows various telephone scams and where to report them if you are caught up in one.

046 Senator Kennemer arrives at 1:16.

100 CHERIE COPELAND: Introduces "20/20" television program (ABC) video regarding 1-900 numbers (EXHIBIT B). This video clip discusses the many problems people

are having with these numbers and how much people are paying for these calls. Also discusses the many telephone scams seen on television, in newspapers, etc.

295 GINNY LANG: Submits and summarizes written testimony in opposition to SB 1188 (EXHIBIT C). US West Communications began offering free blocking for both 976 and 900 services some time ago in an effort to provide customers the choice of whether to make 976 and 900 available to users of their residence or business telephones. We believe the two-notice requirement is unnecessary; adequate customer notice is already available in the front of the telephone directory. As a matter of company policy, charges for 976 services are provided on a separate page of the US West Communications telephone bill and are clearly identified with the name of the information provider. While US West Communications has tried to minimize the negative impact that adult entertainment programs might have, we realize such programming is available. This detailed monitoring would be difficult, if not impossible. We would have to constantly be scanning hundreds of thousands of records to determine if the limit has been reached or exceeded. This is an area being closely scrutinized by several government entities. The Federal Communication Commission (FCC) has recently issued a notice of intent to open a rulemaking process on 9xx services, which will cover the elements in SB 1188 and many more. We are willing to continue working with the Public Utility Commission consumer analysts and the Attorney General's office to further refine existing rules as necessary to provide good service to our customers.

TAPE 41 SIDE A

031 OREN FLOYD: Submits and summarizes written testimony in opposition to SB 1188 (EXHIBIT D). While we agree with the intentions of SB 1188 to address some of the problems with information delivery services, we oppose SB 1188 because it fails to address the problems with information delivery services in the most effective ways. Some provisions and actions are already being addressed by Congress, the FCC, and the Oregon Public Utility Commission. We offer information delivery service blocking free of charge to our customers. Customer billings are reviewed by service representatives on a regular basis, and customers are contacted personally and notified of any unusual fluctuations in charges. We feel that legislation and rulings should be handled at the federal level. Where intrastate services are concerned, regulation is covered by current PUC rules.

061 SENATOR BUNN: Is the reason you can't shut off a person's phone due to 900 calls because they are a non-regulated activity?

065 OREN FLOYD: Yes.

070 SENATOR BUNN: Is the 976 also un-regulated?

075 OREN FLOYD: Yes.

096 DAVE OVERSTREET: Submits and summarizes written testimony in opposition to SB 1188 (EXHIBIT E). Passage of SB 1188 could result in a significant financial impact on local exchange companies like GTE because of the costs associated with blocking, billing, and call monitoring, all of which would be passed on to our customers. GTE Northwest currently provides its customers free blocking of calls to 976 and 900 numbers. We plan to continue doing so but we also need to reserve the option of passing on the costs to the interexchange companies which provide 900 services, the information providers involved in 976 and 900 services, or possibly even some customers. Strictly from a legal standpoint, this legislation may be creating a potential liability for violating a customer's First Amendment or state privacy rights to obtain information above and beyond \$100 per month.

155 PAT HICKEY: Submits and summarizes written testimony to SB 1188 (EXHIBIT F). Attached is a summary of what is going on at the FCC and what AT&T guidelines are about 900 and 976 numbers. We support activity at the FCC and the congressional level to reign in the people who are going to be unscrupulous in the providing of these services. We don't feel that state legislation on this matter is really necessary.

173 JAMES PRUNTY: Submits and summarizes written testimony (EXHIBIT G) and The 900 Report booklet in favor of SB 1188 (EXHIBIT H). The Department of Justice strongly supports SB 1188 for many reasons. These 900 numbers are increasingly being used by unethical businesses a part of consumer scams and ripoffs. Consumers are calling 900 numbers to respond to false offers of free prizes and gifts or misrepresented services. We believe the disclosure requirements of this bill will help consumers realize that many of the "free" gifts being advertised aren't without cost. The conclusions in this report (EXHIBIT H) are that legislation is needed to curb the abuses throughout the 900 industry and that industry self-regulation won't be enough. Oregon currently uses the Unlawful Trade Practices Act to prosecute cases of fraud involving 900 numbers. This has been a cumbersome process and only marginally effective. Consumer complaints continue to come into the Department of Justice at an increasing rate. Complaints range from misrepresented goods and services to deceptive services and undisclosed charges.

425 JAMES PRUNTY: SB 1188 would eliminate the need for needlessly expensive and time-consuming law enforcement efforts that may or may not have the result of halting deceptive practices in the 900 industry or protecting consumers. As it's currently written Section 5 of SB 1188 doesn't address the frequently encountered situation where an information provider discloses the charge for one 900 call, but doesn't disclose the cost of the more expensive 900 number to which the consumer is referred by the

first. I would recommend that language be added to cover the situation of "under-disclosure" of 900 number costs.

TAPE 40 SIDE B

030 JAMES PRUNTY: Concludes testimony on SB 1188.

062 CHAIR JOLIN: In regards to Senator Shoemaker's question, why is it necessary for us to pass this legislation here?

065 JAMES PRUNTY: The FCC is going to address directly the telecommunication carriers, those carriers over which there is exclusive authority. We won't be addressing the information provider or service bureau. This will be long in coming and we would like to see it addressed as soon as possible.

092 SENATOR SHOEMAKER: Is it necessary for us to intrude on the Public Utility Commission regulations?

095 JAMES PRUNTY: I'm looking at it from a law enforcement angle and I think that the PUC's angle is at the technical end and delivery of local phone service. The PUC's regulations aren't covering these areas.

115 ED MORRISON: Submits and summarizes written testimony in favor to SB 118 8 (EXHIBIT I). Customers can request blocking of 900 and 976 calls. In addition, the PUC rules don't allow telephone utilities to disconnect local telephone services of customers because of nonpayment for services that are not tariffed. Commission rules don't allow telephone utilities to deny service because the applicant has failed to pay for services not under tariff. A recent study entitled The 900 Report evaluates 900 services provided through interstate tariffs. According to that study, "The 900 pay-per-call service has emerged as one of the most significant vehicles for consumer fraud in recent history." The 900 Report concludes: "It's the consensus of the Attorneys General making this report that standards must be set within the 900 industry which will eliminate and prevent the consumer fraud which has become nearly endemic to it. Those standards, it's recommended, should be legislated in order to insure uniformity and compliance and should also be embraced by the industry as well." The same could be said of Oregon 976 services.

168 SENATOR SHOEMAKER: Where do you feel that legislation would be more appropriate so as to not overlap what the PUC can do more quickly and more flexibly?

174 ED MORRISON Our basic control is on what the telephone companies can bill for, not the kind of fraud and the consumer information consumers need. If this legislation has penalties where the Attorney General can go after a company for being fraudulent the commission can't control that.

190 CHAIR JOLIN: Adjourns hearing at 2:25 p.m.

Submitted by: Reviewed by:

Apryl Poff
Assistant

Cherie Copeland
Committee Administrator

EXHIBIT LOG:

- A - Video tape of "Good Morning America" submitted by staff, 4 minutes.
- B - Video tape by of "20/20" regarding 1-900 numbers submitted by staff, 14 minutes.
- C - Written testimony submitted by Ginny Lang, 4 pages.
- D - Written testimony submitted by Oren Floyd, 4 pages.
- E - Written testimony submitted by Dave Overstreet, 3 pages.
- F - Written testimony submitted by Pat Hickey, 20 pages.
- G - Written testimony submitted by James Prunty, 10 pages.
- H - The 900 Report booklet submitted by James Prunty, 76 pages.
- I - Written testimony submitted by Ed Morrison, 2 pages.