

SENATE BILL REPORT

SB 5518

AS REPORTED BY COMMITTEE ON ENERGY & UTILITIES, MARCH 1, 1991

Brief Description: Regulating pay-per-call services.

SPONSORS: Senators Thorsness, Sutherland, Patterson, Jesernig, Stratton and Roach; by request of Attorney General.

SENATE COMMITTEE ON ENERGY & UTILITIES

Majority Report: That Substitute Senate Bill No. 5518 be substituted therefor, and the substitute bill do pass.

Signed by Senators Thorsness, Chairman; Jesernig, Nelson, Roach, Stratton, Sutherland, and Williams.

Staff: Phil Moeller (786-7445)

Hearing Dates: February 14, 1991; March 1, 1991

BACKGROUND:

A wide variety of information is available to telephone customers by using pay-per-call telephone services. The services often use a dedicated prefix such as "900" followed by a seven-digit telephone number. Nationwide, this industry has been projected to grow from its present level of \$750 million in revenues to a level of \$1.6 billion by 1992.

Although many consumers appear satisfied with the value of information provided by these "900" type services, complaints have been registered against marketers who have used these services in conjunction with deceptive direct mail. Additional complaints have been registered by consumers who were unaware of the cost of these services, and by parents whose children incurred large telephone billings after calling these services.

SUMMARY:

Providers of information through pay-per-call services doing business in Washington are required to include a preamble in program messages. This preamble is required to include a description of the service provided by the program, advising of the price of the call, and a statement that the caller has three seconds to terminate the call without a charge.

Information providers are required to articulate the price of their services in any advertisement of these services. Failure of the information provider to adhere to the advertising requirements is a defense for the consumer regarding nonpayment of the charges.

Information providers are prohibited from directing their services at children under 12 years old and are restricted in directing their services at children under 18 years old. These restrictions include: prohibiting services where children can speak to each other or are asked their names, addresses or other identifying information; restricting the manner of advertising for these services; and requiring that advertising for these services contains messages indicating that children must obtain parental consent before placing a call to the advertised number. Failure of the information provider to adhere to these requirements is also a defense to the consumer regarding nonpayment of the charges.

Billings for information services are required to carry a notice related to the provisions of this legislation. In an action alleging a violation of the bill, the court may award the greater of three times the actual damages or \$500, plus other costs.

The deceptive use of pay-per-call information services is declared a matter vitally affecting the public interest for the purpose of applying the Consumer Protection Act, Chapter 19.86 RCW.

Contracts between information providers and telecommunication companies must require that the information provider comply with the provisions of this legislation.

EFFECT OF PROPOSED SUBSTITUTE:

A striking amendment was adopted.

The requirements of the preamble in all program messages apply only to programs costing more than \$5 per minute or have a potential cost of over \$10.

Clarifications are made to the advertising requirements for information programs.

Guidelines on the marketing and content of programs aimed at children are specified to only apply to children under the age of 12.

The requirements for information services billings to include notices outlining the requirements of this legislation and the provisions relating to contracts between information providers and telecommunication companies are stricken from the original bill.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR:

Disclosure is needed for consumers on pay-per-call programs so as to avoid many cases of citizens unknowingly being charged large sums for these services.

TESTIMONY AGAINST: None

TESTIFIED: Carol Monohon, WUTC (pro); Paula Selis, Attorney General's office (pro); Joan Beers (pro); Howard Smith (pro); Mike Woodin, AT&T