

# SENATE BILL REPORT

## SB 6367

---

As Reported By Senate Committee On:  
Energy, Technology & Telecommunications, February 3, 2000

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

**Brief Description:** Requiring telephone advertising clarity and disclosure.

**Sponsors:** 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.

**Brief History:**

**Committee Activity:** Energy, Technology & Telecommunications: 1/27/2000, 2/3/2000 [DPS].

---

### SENATE COMMITTEE ON ENERGY, TECHNOLOGY & TELECOMMUNICATIONS

**Majority Report:** That Substitute Senate Bill No. 6367 be substituted therefor, and the substitute bill do pass.

Signed by Senators Brown, Chair; Goings, Vice Chair; Fairley, Fraser, Hochstatter and Rossi.

**Staff:** Andrea McNamara (786-7483)

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

The number and types of competing calling plans for in-state and out-of-state long-distance telecommunications service have significantly increased over the past few years, and advertising for competing local calling plans is beginning to emerge.

Complaints have been raised alleging that calling plan advertisements often do not fairly apprise consumers of the applicable rates and charges that will apply to their calls. Other common consumer complaints contend that plans are too complex to make meaningful comparisons between competing providers.

**Summary of Substitute Bill:** Legislative findings and intent are included identifying the need for consumers to have complete and accurate information about the calling plans they are offered and sold. Definitions for relevant terms are included.

All advertisements offering calling plans for competitive local service, local toll service, and long-distance service that make price claims must disclose specified information about the rates and charges associated with the calling plans. The categories of information that must

be disclosed include the effective rate per minute, one-time charges, per minute (or per unit) rates, minimum charges, and pass-through charges. Telephone solicitations and other audio or visual advertisements must at least disclose the effective rate per minute and notify people that the other information is available. A formula for companies to calculate the effective rate per minute is specified.

The information must be in a simple, standardized format. A model product label is included, and disclosure statements must be substantially similar to the model. The disclosures must be provided as part of all advertisements, when customers sign up for service, and at any time upon request by a customer. Upon receipt of the disclosure after signing up for service, customers have three days to cancel or rescind their agreement without charge or penalty.

Bundled packages of services must be disclosed as if they were unbundled. When a bundled offering includes products or services in addition to a calling plan, the calling plan portion cannot be disclosed as being below cost.

Failure to comply with disclosure requirements is defense to nonpayment of charges. Violations of the disclosure requirements are violations of the Consumer Protection Act.

The disclosures must begin by September 1, 2000.

**Substitute Bill Compared to Original Bill:** The substitute clarifies that the bill applies to telephone solicitations as well as other advertisements. It removes the "benchmark" requirement and replaces it with a requirement to disclose the "effective rate per minute" (ERPM) in all solicitations and advertisements that make price claims. The formula companies must use to calculate the ERPM is added in the substitute, using a combination of in-state and out-of-state long distance calls made during day, evening, and weekend times, and all other charges and fees. The substitute also clarifies that disclosure of "pass-through" charges need not include itemized taxes.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This bill identifies and addresses a real problem. Customers are promised 5 cents per minute and then required to pay 10 cents (or more). They are told by telephone solicitors that no monthly fees apply, but they are charged monthly fees. They are not told about monthly minimums. It is extremely difficult to cancel a plan, which can take up to several months. The WUTC and AG's office have experienced a large growth in complaints about deceptive advertising practices by long distance companies, and it is becoming one of their top complaint categories. Even if some ads are not intentionally deceptive, they do not provide enough detail to allow people to make informed choices or compare between plans. Self regulation by the companies is not working, and federal regulators are moving too slowly on this issue, so a state law is both necessary and appropriate.

**Testimony Against:** Companies have no interest in deceiving customers, and customers can and do change plans often. This bill places an undue burden on companies and would suppress advertising, ultimately limiting consumer choices.

**Testified:** PRO: Rick Mattoon, WUTC; Steve Larsen, AGO; Michelle Smith, consumer; Amina Saleh, consumer; Robert Swanson, consumer; Kathy Swanson, consumer; Linda Johnson, consumer; Sally Gustafson, Attorney General Consumer Protection; Mark Rising;  
CON: Bruce Shaull, Sprint; Rosemary Williamson, GTE.