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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
OFFICE OF CONSUMER PROTECTION

TO THE HOUSE COMMITTEE ON CONSUMER
PROTECTION & COMMERCE

TWENTY-FOURTH STATE LEGISLATURE
REGULAR SESSION, 2008

Thursday, January 24, 2008
2:00 p.m.

TESTIMONY ON HOUSE BILL NO. 1970 – RELATING TO PREPAID CALLING
CARDS.

TO THE HONORABLE ROBERT N. HERKES, CHAIR, AND MEMBERS OF THE
COMMITTEE:

The Department of Commerce and Consumer Affairs ("Department") appreciates the opportunity to testify in support of House Bill No. 1970, Relating to Prepaid Calling Cards. My name is Stephen Levins, and I am the Executive Director of the Department's Office of Consumer Protection.

House Bill No. 1970 proposes to amend Chapter 269 of Hawaii Revised Statutes by requiring companies selling prepaid calling cards to disclose the terms and services

of the cards and by making a violation of the disclosure requirements an unfair or deceptive act or practice.

House Bill No. 1970 is a laudable provision which will provide consumers with fundamental consumer protections. It requires that consumers be apprised of all of the essential terms and conditions of a prepaid calling card prior to its purchase.

Consumers should be provided with accurate information so that they can make informed decisions. Over the course of the past several years, the Office of Consumer Protection has received several complaints that some of the cards sold locally have misrepresented the true number of minutes available for use as well as usage fees. The requisite disclosures contemplated under House Bill No. 1970 should alleviate many of these complaints.

The one concern that the Department has regarding this measure relates to placing it in Chapter 269 of the Hawaii Revised Statutes. In this regard, unless the legislature intends for the Public Utilities Commission to enforce its provisions it may not be appropriate to place it within that Chapter.

Thank you for this opportunity to testify on House Bill No. 1970. I will be happy to answer any questions that the members of the Committee may have.



Dan Youmans
Director
External Affairs

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January 24, 2008

The Honorable Rep. Robert Herkes, Chair
Committee on Consumer Protection and Commerce

The Honorable Rep. Tommy Waters, Chair
Committee on Judiciary

RE: AT&T Testimony on House Bill 1970, Hearing January 24, 2 p.m.

Dear Rep. Herkes, Rep. Waters, and Members of the Committees:

Thank you for this opportunity to provide testimony on House Bill 1970. This legislation would establish certain information disclosures to consumers for prepaid calling cards. Today, AT&T provides detailed information about rates and terms of use to customers who choose our prepaid calling cards. We want to ensure that our customers are well informed about how to use our prepaid calling cards, and what it will cost.

AT&T does not object to putting into statute the required disclosures in House Bill 1970 on prepaid calling cards. However, we suggest one change to the bill. In requiring certain disclosures of information to a consumer, we believe companies should have the option of providing the information either on the card itself, or on the packaging that typically is attached to or comes with the calling card. This will ensure that adequate space is provided to fully describe the fees and terms of use to the consumer in a readable fashion.

Specifically, we suggest that on Page 2, line 6, after the word "conspicuously," add the phrase "on the calling card or packaging:" Again, this will ensure that the card can remain a convenient size for the customer, while the customer is fully informed about the terms of use and fees, through information either on the card or the packaging that is typically attached.

We appreciate this opportunity to provide comments on House Bill 1970, and we hope you will consider the small but important change we suggest in the bill. Please feel free to contact me if you have any questions.

Respectfully Submitted,

Dan Youmans
Director, External Affairs
AT&T

HB 1970
Relating To Prepaid Calling Cards

Robert T. Tanimura
Senior Staff Consultant – State Government Relations
Verizon Corporate Services Group Inc.
808-595-8264

Thursday, January 24, 2008

Representative Robert N. Herkes, Chair
Representative Angus L. K. McKelvey, Vice Chair
House Committee On Consumer Protection & Commerce

Opposition To HB 1970 Relating To Prepaid Calling Cards

My name is Robert T. Tanimura and I am testifying on behalf of Verizon on HB 1970, "A Bill For An Act Relating To Prepaid Calling Cards." Verizon opposes this bill.

HB1970 requires the disclosure of all rates, terms and conditions at the point of sale for prepaid calling cards. Verizon's prepaid calling cards can be used to call over 160 countries around the world and can also be used in about 140 countries to call the U.S. It is clear that the listing of all rates, terms, and conditions would be quite voluminous and this would make compliance with the proposed legislation difficult and expensive. The cost of retailing these products would increase significantly and this in turn would deprive consumers of a useful and cost effective means of making long distance calls.

Verizon's prepaid calling cards available at Costco and other retail outlets is a national product and would not be compliant with the proposed legislation. Modifying a national product to comply with a Hawaii law would be extremely expensive. Given the relative size of the market in Hawaii, it is entirely possible that national carriers such as Verizon would choose not to market this product in Hawaii at all, rather than undergo expensive modifications. Were this to happen, it would severely impact Hawaii consumers by depriving them of choice in the marketplace.

Retail space and customers' attention spans are limited, as such, Verizon's prepaid calling cards do not specify every single rate, term and condition. Instead, only the most pertinent information is provided on the card and customers are advised on how to contact customer service in order to receive additional information should they desire it. This approach is far more effective then overwhelming the customer with information, most of which would be irrelevant to any one customer's use of the card. Disclosing all rates, terms, and conditions at the point of sale as required by HB 1970 will not increase the typical customer's understanding of the service. In fact, it would probably confuse customers.

Moreover, there does not appear to be a serious problem in need of fixing in Hawaii. The market for long distance communications is highly competitive and customers can choose between many prepaid calling cards. With the competitiveness of the long distance market, a vendor that does not satisfy customer expectations will not last long. This is especially the case with prepaid calling cards because the cost to switch to another card is virtually zero.

Indeed, customers already understand their calling cards quite well. This is because prepaid calling cards come in small denominations (e.g., \$5, \$10, \$30 etc.) and are designed for periodic renewal and repeat business. Given that customers also tend to call to the same places over and over, they quickly learn what the effective rate of a card is. That is, customers do not need a binder of information to figure out how much it costs to use a card. Customers generally know what they are getting through experience and they continue buying these cards because they are benefiting from them in terms of convenience and cost savings.

Providers of prepaid calling cards in Hawaii such as Verizon, AT&T, and Pacific Telecard are all either accredited by the Better Business Bureau or has a satisfactory record with the BBB. Although this is not an exhaustive study, there does not appear to be any evidence of a serious problem with prepaid calling cards in Hawaii. Furthermore, even if there were a problem, HB 1970 would not be the correct remedy because, as discussed above, it would make matters worse for consumers, not better.

In sum, the proposed legislation would make prepaid calling cards more expensive, less widely available, and would do nothing to further customer understanding of the product. HB1970 would be unambiguously detrimental to consumers, retailers, and calling card providers alike. For these reasons, Verizon firmly opposes this legislation.

Thank you for the opportunity to testify.

Filipino World Network - Hawaii
1188 Bishop Street
Honolulu, Hawaii 96813

Committee on Consumer Protection and Commerce
Thursday, 01-24-08 at 2:00 pm in CR 325
In support of HB 1970

Honorable Rep. Robert N. Herkes, Chair, Rep. Angus L.K. McKelvey, Vice Chair, and CPC members,

I am testifying in strong support of HB 1970 which requires companies selling prepaid calling cards to disclose the terms and services of the cards. Makes a violation of disclosure requirement an unfair or deceptive act or practice.

The intent and purpose of HB1970 is to regulate prepaid calling cards to protect those of us who purchase these calls from false and misleading advertising and it requires the company to disclose terms of the card.

Calling cards companies often use false and misleading advertising to entice unwitting customers to buy their cards. They would often advertise their phone calling card rates at below average prices to entice more customers, however they either fail to disclose or disclose in such fine print the hidden charges that wipes out any advantage for the lower advertised rates.

In order to protect unwitting consumers, the phone card companies should be required to full disclose all terms and conditions and "hidden charges" in plain and simple English and large enough to read without a magnifying glass.

The enactment of this needed measure would allow for State protection of our consuming public.

Thank you for very for the opportunity to testify in strong support of HB 1970.

mckelvey3

From: jeff garland [digitaleye@hi808.net]
Sent: Thursday, January 24, 2008 7:20 AM
To: CPCtestimony
Subject: CPC HB 1970 01/24/08 2 p.m. Rm. 325

HB 1970

RELATING TO PREPAID CALLING CARDS.

CPC

Requires companies selling prepaid calling cards to disclose the terms and services of the cards. Makes a violation of disclosure requirement an unfair or deceptive act or practice.

Aloha Chair Herkes, Vice Chair McKelvey, and CPC committee members,

I am testifying in support of the intent of HB 1970. However, I fear that the information you wish to be disclosed will be in such small print, and so confusing that most citizens will be unable to read and understand the terms. It would be more prudent to require the actual cost per minute on the card in large print after taking all terms into account.

Sincerely,

Jeff Garland