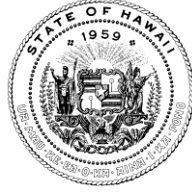


HB68 HD1

Measure Title:	RELATING TO CONSUMER PROTECTION.
Report Title:	Merchandise; Returns; Unfair and Deceptive Trade Practices; Warranty Policy; Repair; Replacement; Refund
Description:	Prohibits a merchant in the State from adopting a warranty policy that requires a purchaser to pay an additional fee to obtain a repair, replacement, or refund for goods returned pursuant to the warranty. (HB68 HD1)
Companion:	SB827
Package:	None
Current Referral:	CPH
Introducer(s):	TAKUMI, ICHIYAMA



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce, Consumer Protection, and Health
Tuesday, March 12, 2019
9:00 a.m.
State Capitol, Conference Room 229**

**On the following measure:
H.B. 68, H.D. 1, RELATING TO CONSUMER PROTECTION**

Chair Baker and Members of the Committee:

My name is Stephen Levins, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Office of Consumer Protection. The Department supports this bill.

The purpose of this bill is to prohibit a merchant from adopting a warranty policy that requires a purchaser to pay an additional fee to obtain a repair, replacement, or refund for goods returned pursuant to a warranty.

Some merchants charge consumers a "warranty processing fee" even when a warranted product is being returned because of a manufacturer's defect. This is fundamentally unfair. No consumer should have to bear the expense of processing the return, replacement, or refund of a defective product. It should be the seller's responsibility.

It is axiomatic that a business should not profit from selling a defective product to a consumer. In this context, it is patently unreasonable for a merchant to pass on its

Testimony of DCCA

H.B. 68, H.D. 1

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costs to process a return or refund. A merchant, not the consumer, should bear the costs. It is improper to set as a precondition the payment of specious fees before a merchant will agree to fulfill the merchant's contractual and statutory obligations under applicable warranty law.

Thank you for the opportunity to testify on this bill.



**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
March 12, 2019**

LATE

Re: HB 68 HD1 Relating to Consumer Protection

Good morning Chairperson Baker and members of the Senate Committee on Commerce Consumer Protection and Health. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii (RMH) as founded in 1901 and is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. The retail industry is one of the largest employers in the state, employing 25% of the labor force.

The Retail Merchants of Hawaii **STRONGLY OPPOSES** HB 68 HD1 Relating to Consumer Protection. This measure would prohibit a merchant in the State from adopting a warranty policy that requires a purchaser to pay an additional fee to obtain a repair, replacement, or refund for goods returned pursuant to the warranty.

Once the product leaves the store retailers have no control over how that product is used, handled, transported, or stored. Retail has changed over the years were more and more people are purchasing online, expecting free shipping and no less than 2 day delivery. Last year alone, nationwide online shoppers returned more than \$369 billion worth of merchandise for various reasons.

Federal law requires that warranties be available for the customers to read before they purchase at the store, by catalogs or online. We would also like to point out that Manufacturer's warranty is given by the brand and begins from the time a new product is purchased and document provides the terms and conditions which all damages are covered under the warranty. If during the warranty period any problem with the product arises, consumers can go to the authorized service center and get the product repaired / replaced under warranty.

This bill would push retailers to have shorter warranty periods or begin to sell their items "As Is". Lifetime warranties maybe excluded from Hawaii. We may also see retailers no longer be an "authorized service center" to repair products or to send the product back to the manufacturer.

Furthermore **reputable online retailers as a whole and in good faith DO NOT intentionally or knowingly try to deceive their customers by sending them defective or damaged items unless noted sold "as is"**. At least 30% of all products ordered on line are returned as compared to 9% in brick and mortar stores. Many retailers in good faith also try to resolve the issue by replacing the item and often offer free return shipping. **Often times, retailers have no way of knowing if the item contains a manufactures defect or was damaged during shipping – or more often than not it is the customer who damages the item themselves in an effort to return it.**

Retailers are also very concerned that this measure will have an adverse increase in return abuse by customers. Retailers are seeing this more often and it a form of **"friendly fraud abuse" where someone purchases products without intending to keep them.** Perhaps the most well-known form of this abuse is "wardrobing" or "free renting" – in which the person makes a purchase, uses the product(s), and then returns the merchandise. This is done not only with clothing, but electronics, household items and more.

People would not intentionally damage to goods to insure free shipping and a total guaranteed full refund, even for ALL SALES FINAL items.

Retail has changed over the years were more and more people are purchasing online, expecting free shipping and no less than 2 day delivery. Last year alone, nationwide online shoppers returned more than \$369 billion worth of merchandise for various reasons.

Sales on the worldwide web are global. Customers purchasing in store or online need to have due diligence in reading and understanding the warranties and return policies as they vary from store to store and especially internationally as well.

Government mandates like this does drive up the cost of doing business that in turn drives up the cost of living in Hawaii. We urge you NOT to impose another government mandate on business and ask that you **DEFER** this measure.

Mahalo again for this opportunity to testify.