

Approved: January 18, 2000
Date

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on January 14, 2000 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Ann Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar

Conferees appearing before the committee:

Steve Rarrick, Deputy Attorney General
Rob Hodges, President, Kansas Telecommunications Industry Association
Ann E. Mah, Southwestern Bell Telephone
Ted Walters, AARP
Steve Montgomery, MCIWorldcom
Mike Murraray, Sprint

Others attending: See attached list

Steve Rarrick, Deputy Attorney General, testified that as a result of the 1998 legislation relating to "slamming" the written complaints received in the Office of the Attorney General has decreased by 17%. The Attorney General is requesting additional legislation relating to "cramming" which is the unauthorized submittal of charges to a consumer's telephone bill. The Attorney General's office stated the number of cramming complaints has decreased; however, unauthorized Internet related charges are the most common cramming complaint and with the increased use and popularity of the Internet, it is anticipated the number of complaints will increase.

Mr. Rarrick testified that **HB 2343** was introduced last year, the House has not acted on it. The bill 1) defines "supplemental telecommunications services" to include the types of items that are often crammed onto consumers' phone bills; 2) prohibits the addition of any supplemental telecommunications services or billing or collecting for such services without the consumer's express authorization; 3) prohibits deceptive, misleading or confusing conduct when soliciting a consumer to add any supplemental telecommunications services; 4) imposes civil penalties of \$5,000 to \$20,000 against crammers or third-party billers for cramming violations; 5) replaces the phrase "local exchange carrier or telecommunications carrier" with the term "supplier"; and 6) exempts a consumer's current local or long distance carrier from the cramming provisions. Additionally, the following amendments are recommended: on page 1, line 34, and page 2, line 2, to clarify that the parties actually committing the slamming or cramming are subject to the law; correct a grammatical error on page 2, line 10; and an addition on page 3, line 14, requested by some industry and governmental members, to allow corporations to bring their own private cause of action. (Attachment 1)

Rob Hodges, Kansas Telecommunications Industry Association (KTIA), testified its members and the industry as a whole, have worked with the Attorney General and support the proposed legislation. (Attachment 2)

Ann E. Mah, Southwestern Bell Telephone (SWBT), testified that SWBT must, by federal law, bill for telecommunications providers on a non-discriminatory basis. The handling of cramming complaints has cost SWBT considerable expense and an invaluable loss of good will with its customers. SWBT, therefore, has taken significant steps toward reducing instances of cramming through changes in its billing and collection practices by developing a set of "best practices". SWBT has educated its customers as to how to prevent cramming; stopped billing for 40 providers; stopped billing for the services most likely to be the source of cramming problems, such as monthly fees for calling cards, prepaid calling cards, and debit calling cards; and put in place a plan to put offending providers on a "moratorium" when the provider reaches a threshold level of adjustment or complaints. Ms. Mah stated SWBT supports the proposed legislation. (Attachment 3)

CONTINUATION SHEET

Tel Walters, AARP, testified in support of the proposed “cramming” legislation. (Attachment 4)

Steven C. Montgomery, MCIWorldcom, testified in support of the proposed “cramming” legislation. (Attachment 5)

Mike Murray, Sprint, submitted a brochure and other publications prepared and distributed to Sprint customers alerting them to “Slamming and Cramming” practices. Mr. Murray testified Sprint does support the proposed legislation. (Attachment 6)

Senator Feleciano moved, seconded by Senator Brownlee, that a bill to amend KSA 50-6,103 with provisions recommended by the Attorney General be requested and introduced as a Commerce Committee bill. The vote was in favor of the motion.

A January 14, 2000 article from the Kansas City Star on “Don’t Call” was distributed to members of the Committee. (Attachment 7)

The Chair informed the Committee she was requesting a “don’t call” bill be drafted to strengthen enforcement of current law..

Senator Feleciano moved, seconded by Senator Steffes, that the Minutes of January 12 and January 13 be approved. The vote was unanimous in favor of the motion.

The meeting was adjourned at 9:00 a.m.

The next meeting is scheduled for January 18, 2000.

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: January 14, 2000

NAME	REPRESENTING
Mike Reecht	AT&T
J. Ted Walker	AARP/KRTQ
Steve Montgomery	MCI Worldcom
Rob Hodges	KTIA
Mike Murray	Sprint
Mike	
Jeff Wasaman	KCC
ROSE MULVANY	KCC
Janette Luehring	KCC
Mark Caplinger	State Ind. Tel. ASSN.
Tom Gleason	Independent Telecom Group
WALKER HENDRIX	CURB
Marvin Dingle	KCC
Ann Mah	Southwestern Bell
Debbie Vignatelli	" "
Kathy Samron	" "
D. S. Koch	" "
Roger Trautko	KGC
Kevin Barone	Mein & Weir chrt.



CARLA J. STOVALL
ATTORNEY GENERAL

State of Kansas

Office of the Attorney General
CONSUMER PROTECTION/ANTITRUST DIVISION

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Testimony of
Steve Rarrick, Deputy Attorney General
Consumer Protection Division
Office of Attorney General Carla J. Stovall
Before the Senate Commerce Committee
Slamming/Cramming
January 14, 2000

CONSUMER HOTLINE
1-800-432-2310

Chairperson Salsbury and Members of the Committee:

Thank you for asking me to appear before you this morning on behalf of Attorney General Carla J. Stovall to provide information on slamming and cramming. My name is Steve Rarrick and I am the Deputy Attorney General for Consumer Protection.

I have been asked to provide information to the Committee on slamming and cramming. I am providing information on our complaints history, our investigations, our prosecutions, and our current efforts to amend the 1998 slamming law (K.S.A. 50-6,103) in HB2343.

Our office first began tracking slamming complaints in February 1996, when we received 100 written slamming complaints. In 1997, we received 108 slamming complaints. In 1998, the year the slamming law was enacted, our slamming complaints increased to 500. This increased number of complaints was due, in part, to the fact the Kansas Corporation Commission began referring slamming complaints to our office on May 1, 1998. Before that time, complaints had been handled by both agencies. In 1999, we received 415 written slamming complaints, reflecting a 17% decrease in written slamming complaints received by our office.

Cramming is the unauthorized submittal of charges to a consumer's telephone bill and usually results in much higher damages to consumers than slamming because the unauthorized charges range from \$5.00 to \$50.00 on their monthly telephone bill. Examples of unauthorized charges include voice mail, personal 800#'s and Internet access/web page design.

We did not begin tracking cramming complaints until 1998, when we received 121 cramming complaints. In 1999, we received 59 cramming complaints. We believe the decrease in cramming complaints in 1999 is directly related to the prohibition against the use of sweepstake/prize drop boxes to obtain authorizations for telecommunication services, which is the only provision in the current law addressing cramming. However, unauthorized Internet related charges are currently the most common cramming complaint. With increased use and popularity of the Internet, we anticipate similar complaints in the future.

Senate Commerce Committee
Date: 1-14-00

Attachment # 1-1 thru 1-6

After receiving complaints from consumers in 1998 being charged on their telephone bill for services they never requested, the Attorney General sought increased protections and penalties against crammers, similar to slammers, when the crammer has not obtained the express authorization of the consumer.

The above numbers only account for consumers who file written complaints with our office. Consumers who call our office are instructed how to get their local or long distance service switched back to their preferred carrier and receive a refund of the switching fees. Many consumers simply follow those instructions and do not file the written complaint we send them.

Between April 1996, and March 1999, we entered into Consent Judgments or Assurances of Voluntary Compliance with 7 companies for slamming and cramming for a total of \$257,500, plus refunds and credits to consumers of switching fees, long distance charges, and unauthorized charges. We have concluded our investigations and are negotiating with six companies for slamming and cramming violations. We are investigating four other companies.

I have attached to my testimony a copy of HB 2343, with some proposed balloon amendments our office and industry representatives will be offering this session. The bill did not make it out of the House Committee on Utilities last year even though it was supported by industry and received no opposition. HB 2343 seeks to amend K.S.A. 50-6,103, the statute enacted in 1998 which prohibits slamming (the unauthorized switching of a consumer's local or long distance telephone service without a consumer's express authorization), to also prohibit cramming (adding unauthorized charges to a consumer's telephone bill). The practice of cramming by some unscrupulous telecommunications companies has continued over the past two years, and the Attorney General and representatives of the telecommunications industry believe increased consumer protections are necessary to address this practice.

Briefly summarized, the provisions in HB 2343 bill would accomplish the following:

- Include cramming as a prohibited practice by:
 - defining "supplemental telecommunications services" to include the types of items that are often crammed onto consumers' phone bills;
 - prohibiting the addition of any supplemental telecommunications services or billing or collecting for such services without the consumer's express authorization;
 - prohibiting deceptive, misleading or confusing conduct when soliciting a consumer to add any supplemental telecommunications services; and
 - imposing civil penalties of \$5,000 to \$20,000 against crammers or third-party billers for cramming violations.
- Replace the phrase "local exchange carrier or telecommunications carrier" with the term "supplier" to allow the Attorney General to pursue all entities involved in a cramming or slamming scheme when such company knew or had reason to know the

express authorization had not been obtained, such as the companies' demanding payment from consumers.

- Exempt a consumer's current local or long distance carrier from the cramming provisions. These companies would still be liable for any deceptive acts and practices under general consumer protection provisions, and would certainly lose existing customers if they cram their customers with unauthorized services.

The proposed balloon amendments to the bill will accomplish the following:

- The balloons on page 1, line 34, and page 2, line 2, will clarify that the parties actually committing the slamming or cramming are subject to the law. For example, resellers of long distance service currently don't submit change orders directly to the local carrier, but rather cause the change order to be submitted by the long distance carrier whose services they are reselling. It is the reseller who should be responsible for the violation.
- The balloon on page 2, line 10, corrects a grammatical error.
- The balloon on page 3, line 14, is being added at the request of some industry and governmental members to allow corporations to bring their own private cause of action. Currently, the Kansas Consumer Protection Act does not allow corporations to pursue a violation of the Act, because they are not consumers as defined by the Act. This amendment would not expand the authority of the Attorney General, but merely give these entities a cause of action for slamming and cramming.

Thank you again for the opportunity to provide information on this very important topic. I would be happy to respond to any questions you may have on these issues.

HOUSE BILL No. 2343

By Committee on Utilities

2-9

9 AN ACT concerning consumer protection; relating to telecommunica-
10 tions services; amending K.S.A. 1998 Supp. 50-6,103 and repealing the
11 existing section.
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 1998 Supp. 50-6,103 is hereby amended to read as
15 follows: 50-6,103. (a) As used in this section:

16 (1) "Express authorization" means an express, affirmative act by a
17 consumer clearly agreeing to ~~the a~~ change in the consumer's telecom-
18 munications carrier or local exchange carrier to another carrier *or the*
19 *addition of any supplemental telecommunications services to the con-*
20 *sumer's account.*

21 (2) "Supplemental telecommunication services" means any property
22 or services for which any charge or assessment appears on a billing state-
23 ment directed to a consumer by a local exchange carrier or telecommu-
24 nications carrier, including but not limited to personal 800 number serv-
25 ices, calling card plans, internet advertisement and website services, voice
26 mail services, paging services, psychic services, psychic memberships, dat-
27 ing services or memberships, travel club memberships, internet access
28 services and service maintenance plans. "Supplemental telecommunica-
29 tion services" does not include direct dial services to which a per use
30 charge applies.

31 ~~(2)~~ (3) "Telecommunications services" has the meaning provided by
32 K.S.A. 66-1,187 and amendments thereto.

33 (b) No local exchange carrier or telecommunications carrier shall sub-
34 mit to a local exchange carrier an order to change a consumer's telecom-
35 munications carrier or local exchange carrier to another carrier without
36 having obtained the express authorization of the consumer authorized to
37 make the change. The local exchange carrier or telecommunications car-
38 rier requesting the change shall have the burden of proving the express
39 authorization by a preponderance of the evidence. *It shall not be a vio-*
40 *lation of this subsection for a local exchange carrier to assign a consumer*
41 *to a telecommunications carrier for purposes of intralata services pursu-*
42 *ant to order of the state corporation commission.*

43 (c) No supplier, other than the consumer's existing local exchange

or cause to be submitted

1 carrier or telecommunications carrier, shall:

2 (1) ~~Add any supplemental telecommunications services to a con-~~ or cause to be added
 3 ~~sumer's account without having obtained the express authorization of the~~
 4 ~~consumer authorized to make the addition and the supplier requesting~~
 5 ~~the addition shall have the burden of proving the express authorization~~
 6 ~~by a preponderance of the evidence; or~~

7 (2) ~~directly or indirectly, bill, collect, attempt to bill or collect or cause~~
 8 ~~to be billed or collected, charges arising from a change in a consumer's~~
 9 ~~local exchange carrier or telecommunications carrier to another carrier~~ charges arising from the addition of
 10 ~~or add any supplemental telecommunications services to a consumer's~~
 11 ~~account when such supplier knew or had reason to know that the con-~~
 12 ~~sumer's express authorization for such change or addition was not ob-~~
 13 ~~tained.~~

14 (e)(d) ~~No local exchange carrier, telecommunications carrier or third~~
 15 ~~party utilized to verify an order to change a consumer's telecommunica-~~
 16 ~~tions carrier or local exchange carrier to another carrier supplier shall:~~

17 (1) Engage in any activity, conduct or representation that has the
 18 capacity to mislead, deceive or confuse the consumer, while soliciting or
 19 verifying a change in a consumer's telecommunications carrier or local
 20 exchange carrier to another carrier that has the capacity to mislead, de-
 21 ceive or confuse the consumer or adding any supplemental telecommu-
 22 nications services to a consumer's account;

23 (2) employ a box or container used to collect entries for sweepstakes,
 24 contests or drawings to gather letters of agency or other documents that
 25 constitute authorizations by consumers to change the consumers' tele-
 26 communications carrier or local exchange carrier to another carrier or to
 27 change or add to the consumers' ~~other accounts any supplemental tele-~~
 28 ~~communications services; or~~

29 (3) use any methods not approved by ~~statute, regulations of the fed-~~
 30 ~~eral communications commission statutes, rules and regulations or federal~~
 31 ~~trade commission (as in effect on the effective date of this act) or state~~
 32 ~~corporation commission rules and regulations to change a consumer's~~
 33 ~~telecommunications carrier or local exchange carrier to another carrier~~
 34 ~~or to add supplemental telecommunications services to a consumer's~~
 35 ~~account.~~

36 (d)(e) Any ~~local exchange carrier or telecommunications carrier sup-~~
 37 ~~plier that violates subsection (b) or (e), (c) or (d) shall be subject to a civil~~
 38 ~~penalty of not less than \$5,000 nor more than \$20,000 for each such~~
 39 ~~violation instead of the penalty provided for in subsection (a) of K.S.A.~~
 40 ~~50-636, and amendments thereto.~~

41 (e)(f) Any violation of this section is a deceptive and unconscionable
 42 act or practice under the provisions of the Kansas consumer protection
 43 act and shall be subject to any and all of the enforcement provisions of

1 the Kansas consumer protection act. Nothing in this section shall preclude
 2 the state corporation commission from exerting its authority as it pertains
 3 to intrastate services nor the attorney general from pursuing violations of
 4 any other provisions of the Kansas consumer protection act by a local
 5 exchange carrier or telecommunications carrier supplier.

6 ~~(f)~~ (g) All local exchange carriers shall offer consumers the option of
 7 notifying the local exchange carrier in writing that they do not desire any
 8 change of telecommunications carrier regardless of any orders to the con-
 9 trary submitted by any third party. The consumer shall be permitted to
 10 cancel such notification or to change its telecommunications carrier by
 11 notifying the consumer's local exchange carrier accordingly. All local
 12 exchange carriers shall annually notify the consumers of the carrier's tel-
 13 ecommunications services of the availability of this option.

14 ~~(g)~~ ~~(h)~~ This section shall be part of and supplemental to the Kansas
 15 consumer protection act.

16 Sec. 2. K.S.A. 1998 Supp. 50-6,103 is hereby repealed.

17 Sec. 3. This act shall take effect and be in force from and after its
 18 publication in the statute book.

(h) Any person alleging a violation of this section
 may bring a private action to seek relief
 pursuant to K.S.A. 50-634, 50-636 and this section
 and such person may be defined as a consumer
 pursuant to K.S.A. 50-624(b) for the purposes of
 such private action.

(i)



Legislative Testimony

Kansas Telecommunications Industry Association 700 SW Jackson St., Suite 704, Topeka, KS 66603-3758 V/TTY 785-234-0307 FAX 785-234-2304

Before the Senate Committee on Commerce

January 14, 2000

Madam Chairwoman, members of the committee, I am Rob Hodges, President of the Kansas Telecommunications Industry Association. Our membership is made up of local telephone companies, long distance companies, wireless telecommunications companies, and firms and individuals that provide service to and support for the telecommunications industry in Kansas.

KTIA members, and indeed the industry as a whole, have worked with and supported the Kansas Attorney General in finding solutions to protect Kansas consumers from the unscrupulous practices of firms and individuals commonly referred to as "slamming" and "cramming."

Early in the 1999 session of the Kansas Legislature an agreement was reached between the Consumer Protection Division and the telecommunications industry that resulted in the introduction of HB 2343. Our industry supported that bill before the House Committee on Utilities in testimony presented on February 19, 1999.

While that bill was not enacted, we continued to work with the Attorney General's Consumer Protection Division to put an end to the problems of "slamming" and "cramming." The subject was on the agenda of the KTIA Spring Meeting in Lawrence during May of 1999. Steve Rarrick of the Consumer Protection Division joined Steve Minnis, a Senior Attorney at Sprint, in a panel presentation that addressed our state law and the amendments that were being proposed at that time. That part of our meeting program resulted in further discussions and amendments for HB 2343, to make the law even more effective.

I appear today to reiterate for this committee the support that we voiced to the members of the House Committee on Utilities last year: the KTIA and its members support passage of HB 2343 with the amendments that are being presented.

It's important to point out, however, that members of our Association and our industry are not merely depending on the AG's Consumer Protection Division to protect our customers from "slamming" and "cramming." Numerous local service providers and long distance service providers are taking actions of their own to reduce and hopefully eliminate practices that harm our customers.

To tell you more specifically about the programs in place at Southwestern Bell Telephone Company and Sprint, let me introduce to you Ann Mah, from Southwestern Bell, and Mike Murray, from Sprint.

Following their presentations, we will be attempt to respond to you

Senate Commerce Committee

Date: 1-14-00

Attachment # 2

Southwestern Bell Telephone
Slamming/Cramming Update
January 14, 2000

Slamming:

In 1998, Southwestern Bell intensified its customer education program on slamming, including new bill messages, newspaper articles, brochures, and a consumer web site. The company also began offering Customer Choice Protection to help customers protect themselves from unauthorized changes in their local as well as long distance carriers. Also, the legislature passed the "slamming" law that is now in place. In 1999, the FCC also introduced new rules related to slamming and Customer Choice Protection.

As a result, there has been a significant decrease in interLATA long distance slamming complaints in Kansas. In 1997 Kansas had over 28,000 customer complaints related to interLATA long distance slamming. In 1998, Kansas interLATA slamming complaints dropped to just over 20,000. Not all of the data for 1999 is in, but through November, we had 10,215 interLATA slamming complaints. Together, stronger laws, regulations, and customer education have worked.

Cramming:

Southwestern Bell must, by federal law, bill for telecommunications providers on a non-discriminatory basis. The vast majority of charges submitted to SWBT for billing are legitimate. However, some unscrupulous providers continue to "cram" onto our customers' bills charges for services not authorized, and sometimes not even received. Handling cramming complaints has cost Southwestern Bell considerable expense in handling time and an invaluable loss of good will with its customers.

Therefore, Southwestern Bell has taken significant steps toward reducing instances of cramming through changes in its billing and collection practices. Southwestern Bell also took a leadership role in 1998 in helping the industry develop a set of "best practices" designed to eliminate offending providers.

In short, Southwestern Bell has:

- educated its customers about how to prevent cramming
- stopped billing for 40 providers
- stopped billing for the services most likely to be the source of cramming problems, such as monthly fees for calling cards, prepaid calling cards, and debit calling cards
- put in place a plan to put offending providers on a "moratorium" when the provider reaches a threshold level of adjustments or complaints

These efforts have had a positive impact on the cramming problem. In September 1998, when SWBT began its threshold plan, SWBT had 541 cramming complaints in Kansas. In December 1999, those complaints had dropped by 70%, to 160. We have seen the same results across the five states, with cramming complaints dropping from about 13,000 in September 1998 to just under 3,000 in December 1999.

SWBT believes the industry's continuing efforts combined with the proposed legislation will bring a final resolution to the cramming problem in Kansas.

Senate Commerce Committee

Date: 1-14-00

Attachment # 3



in Kansas

Good Morning, Chairman Salisbury and distinguished members of the Committee. I appreciate the opportunity to appear before you to speak in support of legislation to control Cramming and other unscrupulous practices. My name is TED WALTERS and I am a volunteer with AARP and KRTA. We represent 344,000 members who reside in Kansas.

Our members support legislation to control cramming and to eliminate scams and frauds in the marketplace. Our 1999 survey of our AARP Kansas membership indicated that 87% believe our consumer protection laws should be strengthened. Some of our members have been victimized by unscrupulous businesses.

Slamming and cramming are two of the problems cited most frequently by telephone consumers. The National Fraud Information Center reports that among the 50 types of telephone-related scams, cramming and slamming are the two that consumers complain about most.

The format of telephone bills can make it difficult for consumers to recognize that they have been crammed, especially when charges for these services are listed on their bills in vague terms such as "membership" or "mail server." We believe federal and state policy makers should ensure that telephone bills contain complete, clear and truthful descriptions of all charges and clearly identify the service provider (names, addresses, and telephone numbers) responsible for each charge so that consumers can more easily spot unauthorized charges and know who to call if they have questions.

We do not want to hamper or suppress commerce, but we believe legislation is needed to help develop and strengthen the conscience and morality that seems to be missing among too many telemarketers. We believe the legislature can, and should, implement safeguards that will give the consumer protection and recourse against these practices. Too many Telebusinesses have demonstrated that they cannot be trusted to operate ethically on their own.

Just as locks help keep honest people honest, anti-cramming legislation could help keep honest marketers honest. Additionally, it would give recourse for punishing and correcting dishonest behaviors and misleading practices.

Consumers need protection and honest businesses deserve a level playing field. AARP members support the Office of the Attorney General in securing this legislation.

Thank you.

J. TED WALTERS
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Senate Commerce Committee

Date: 1-14-00

Attachment # 4

STEVEN C. MONTGOMERY, Chartered

Attorney at Law

Mercantile Bank Tower, Suite 808
800 SW Jackson Avenue
Topeka, Kansas 66612-2220

Telephone 785.235.2422
Facsimile 785.234.3687
Email smont@cjnetworks.com

TO: Senate Commerce Committee

FROM: Steve Montgomery, MCIWorldcom

RE: Presentation on "Slamming & Cramming"/House Bill No. 2343

DATE: January 14, 2000

Introductory Remarks

I am appearing on behalf of MCIWorldcom, which, in past years, has not been as active in the Kansas legislative arena as on the national level. With our merger pending, MCIWorldcom looks forward to taking an active role in the shaping of Kansas' telecommunications future. Although we have only a brief and recent participation in HB 2343 and the Kansas perspective on "slamming and cramming", MCIWorldcom appreciates the opportunity afforded by the Attorney General's Office and the other members of the Kansas telecommunications industry to participate in the formulation of legislation seeking to balance legitimate business practices and consumer protection.

MCIWorldcom Position

MCIWorldcom supports legislation such as HB 2343, which provides protections to consumers, while allowing businesses which choose telephone solicitation as an appropriate business practice to operate in an environment free from unnecessary regulation. We have only recently had an opportunity to review the amendments being considered by the Attorney General and members of the industry. In the near future, we will be sharing our suggestions on how the bill might be improved prior to its emergence from the committee of origin, the House Utilities Committee. We look forward to participating in this dialogue and other telecommunications issues as they arise.

Senate Commerce Committee

Date: 1-14-00

Attachment # 5



Mary Peters
Public Affairs Manager

Slamming the door on the slammers

Did you know that:

Slamming is the illegal practice of switching a telephone customer's long-distance company without the customer's permission.

Cramming is the practice of adding products or services to a customer's account without the customer's permission.

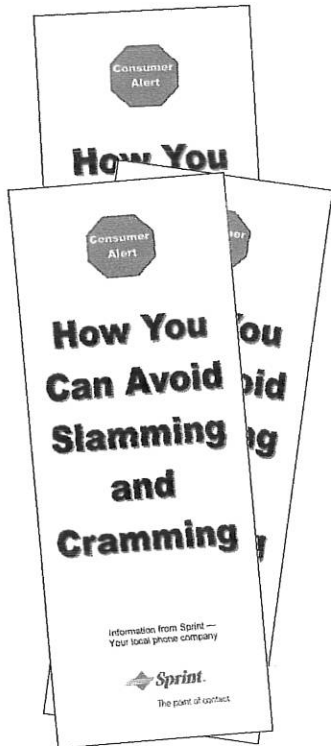
BOTH OF THESE PRACTICES ARE ILLEGAL

The best way you can avoid slamming and cramming is to be an informed and alert consumer.

To assist you, we at Sprint have developed this brochure that contains tips on avoiding cramming and slamming and gives you information on how to report these illegal practices.

You can obtain a copy of this publication by writing to:

Sprint, Consumer Alert
P.O. Box 367, Gardner, KS 66030



The point of contact

Senate Commerce Committee
Date: 1-14-00

Attachment # 6-1 thru 6-7

Slamming

What is “slamming?”

Slamming is the illegal practice of switching a telephone customer's long distance company without the customer's permission.

How do consumers get slammed?

Some companies that slam use contests, surveys or other written promotions to obtain consumers' "permission" to switch their long-distance service. For example, one company asked consumers to return postcards to receive information about a free vacation. The fine print on the card explained that by signing and returning the card, consumers also were agreeing to change their long-distance company.

Some companies slam consumers by falsely informing their local phone company that the consumers have selected them (the “slamming” company) as their long-distance provider. The consumers – and their local phone company – have no way of detecting the fraud until they notice the change on their phone bills.

What should consumers do if they believe they have been slammed?

Consumers can call their local phone company if they suspect they have been slammed.

What happens to companies that slam customers?

Substantial fines often are levied against companies prosecuted for slamming. For example, a Texas company was fined \$1 million for allegedly slamming customers.

Tips to avoid being slammed:

To avoid being a victim of slamming, follow these tips:

- Check your local phone bill carefully each month to make certain your long distance company hasn't been switched without your permission. If you suspect you've been slammed, contact your local phone company.
- Be careful about entering contests, signing award or bonus checks, or responding to prize offers through the mail. The fine print on these “entry forms” may give a long distance company permission to switch your long distance service.
- Never provide personal information – your Social Security number, credit card number or birth date, for example – over the phone to an unsolicited telemarketer.
- If you receive a call asking you to switch long distance companies, make certain you understand the offer. Ask for the name, address and phone number of the caller. A representative of a reputable company won't hesitate to provide the information.
- Because companies that slam often take advantage of unknowledgeable family members, authorize only one person in your family to make changes to your family's phone service.

Cramming

What is “cramming?”

Cramming is adding products or services to a customer’s account without the customer’s permission. The practice is illegal.

Who “crams?”

Cramming is most frequently committed by “third-party” companies that contract with local telephone companies for billing and collections services. However, cramming can be committed by any company that can place charges on the customer’s bill, including the local telephone company.

How does third-party cramming work?

Sprint, like other local phone companies, often does billing for companies that offer products and services like long distance, voice mail, Internet or paging. This billing practice serves as a convenience for customers who want one-stop billing for all their communication services. Reputable companies use this billing practice largely without incident. Occasionally, however, dishonest companies use the billing arrangement to secretly defraud customers. As a result, customers may have unauthorized charges added to their bill without their – or their local phone company’s – knowledge.

Give an example of a third-party cramming scheme.

Many cramming complaints are associated with sweepstakes entries. A customer believes he or she is simply filling out an entry form for a vacation sweepstakes, but the fine print on the form also gives the company authorization to charge the customer for other – probably unwanted – services.

What should customers do if they believe their accounts have been crammed?

Customers who suspect they have been crammed should do two things. First, contact the local Sprint office to remove the charge. Secondly, call the company involved (the company’s phone number appears on the phone bill near the charge) and request that the charge be blocked from any future bills.

Customers also may report cramming to the Federal Communications Commission, the state attorney general or their local Better Business Bureau.

Tips to avoid being crammed:

To avoid being a victim of cramming, follow these tips:

- Read the fine print carefully on any special promotion, sweepstakes, rebate, etc., that requires your signature. You may be giving “permission” to add services to your phone bill.
- Educate those in your household about “hidden authorization” ploys. Members of your family could, unknowingly, authorize services simply by dialing certain 900 numbers or pushing buttons on the phone to answer telemarketers’ questions.
- Do not disclose any information, such as your credit card number, Social Security number, or telephone number on any sweepstakes or raffle tickets. This information may be used to scam you.
- Avoid filling out contest entry forms if the language on the form appears confusing or unclear.
- Be wary of faxes, e-mails, voice mail or pages that ask you to call an unfamiliar phone number.
- Listen carefully to voice prompts when you make a phone call and reach an answering machine. You could, unwittingly, accept or approve charges for the call or other services offered.
- Make certain you know all the services you have ordered.

Bill Insert

Sprint offers tips to avoid 'cramming'

Sprint is aggressively fighting "cramming." Cramming is adding products or services to a customer's telephone bill without authorization.

Like other local phone companies, Sprint often does billing for companies that offer products such as long distance service, voice mail, Internet or paging. This billing practice serves as a convenience for customers who want one-stop billing for all their communications services. Reputable companies use this billing practice largely without incident. Occasionally, however, dishonest companies use the billing arrangement to secretly defraud customers. As a result, Sprint customers may have unauthorized charges added to their bill without their - or Sprint's - knowledge.

To help prevent cramming, Sprint offers the following tips:

- Read the fine print carefully on any special promotion, sweepstakes, rebate, etc., that requires your signature. You may be giving "permission" to add services to your phone bill.
- Educate those in your household about "hidden authorization" ploys. Members of your family could, unknowingly, authorize services simply by dialing certain 900 numbers or pushing buttons on the phone to answer telemarketers' questions.
- Do not disclose any information, such as credit card number, Social Security number, or telephone number on any sweepstakes or raffle tickets. This information may be used to scam you.
- Avoid filling out contest entry forms if the language on the form appears confusing or unclear.
- Be wary of faxes, e-mails, voice mail or pages that ask you to call an unfamiliar phone number.
- Listen carefully to voice prompts when you make a phone call and reach an answering machine. You could, unwittingly, accept or approve charges for the call or other services offered.
- Make certain you know all the services you have ordered.

If you believe you may have been crammed, two steps are necessary. First, contact your local Sprint office to remove the charge. Secondly, call the company involved (the company's phone number will appear on your phone bill near the charge) and request that the charge be blocked from any future bills.

EC1009

12/98

(all West states)

For immediate release

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Sprint takes aggressive steps in fight against cramming

KANSAS CITY, MO, September 8, 1998 -- Sprint's local telephone division today announced its aggressive new policy to fight illegal cramming practices.

Cramming occurs when products or services are added to a customer's telephone bill without his/her permission.

Sprint's tough, new policy imposes strict standards on companies that contract with Sprint to bill for their services. Under the new standards, which are consistent with the Federal Communication Commission's new voluntary guidelines on cramming, Sprint will deny or terminate billing arrangements with any company that does not agree to comply with Sprint's anti-cramming policy.

"While Sprint cannot always prevent cramming from occurring, Sprint will do all it can to help our customers protect themselves from this illegal and unethical practice," said Robert E. Thompson, president of consumer and small business markets for Sprint Local Telecommunications Division.

Sprint, like other local phone companies, often does billing for companies that offer products such as long distance service, voice mail, Internet or paging. This billing practice serves as a convenience for customers who want one-stop billing for all their communications services. Reputable companies use this billing practice largely without incident. Occasionally, however, dishonest companies use the billing arrangement to secretly defraud customers. As a result, Sprint customers may have unauthorized charges added to their bill without their – or Sprint's – knowledge.

Thompson said these services generally involve a flat monthly charge that appears on a separate section of the customer's local telephone bill.

"Many cramming complaints have been associated with sweepstakes entries," Thompson said. "For example, a customer believes he is simply filling out an entry form for a vacation sweepstakes, but the fine print on the form also gives the company authorization to charge the customer for other – probably unwanted – services."

(more)

Sprint's anti-cramming policy, add one

As a result of problems with sweepstakes, Sprint has announced that, if it learns that a company is using deceptive sweepstakes entries to add charges to customer bills, Sprint will take appropriate action, up to and including termination of its billing contract with that company.

"Sprint will not accept billing for services for which the customer did not authorize, or where the authorization was obtained by deceptive, misleading, or other unlawful, method," Thompson said.

In doing its part in the war on cramming, Sprint has implemented safeguards to limit the ability of third-party companies (those companies for which Sprint performs billing and collections services) to place unwanted services on customer bills. For example:

- Each company must agree to meet all legal and regulatory requirements to offer service in the states where it wants Sprint to provide billing services.
- Each company also must agree to establish procedures for handling customer complaints, including a toll-free number for customers to call with inquiries.
- Each company also must agree to block (at a customer's request) that customer's account from the company's service and charges.
- Sprint is closely monitoring customer complaints regarding each company.
- If a company fails to live up to these commitments, or it is apparent that the company is "cramming" its services onto customers' bills, then Sprint will take appropriate action, up to and including termination of its billing contract with the company.

Sprint also has committed to watch carefully for any new cramming scams and to take immediate action should they develop.

"The most important thing customers can do to prevent cramming is to scrutinize their phone bill every month to ensure there are no unauthorized charges," said Thompson. "Cramming charges are often very difficult to spot. Of course, that's what a crammer wants – the charges to slip by customers without them noticing."

As an example, Thompson noted that the Missouri attorney general took legal action against several companies accused of cramming. Among other things, the companies allegedly added unauthorized charges to the bills of mentally disabled adults on fixed incomes, used a contest entry form to bill a \$4.96 activation fee, and used typeface one-sixteenth of an inch high on contest entry forms to inform customers they were adding to or switching their service. One company also allegedly offered free gifts, such as cell phones or pagers, in order to place unauthorized charges on bills.

“Although customers may feel vulnerable to increasing attempts to defraud them, they do have Sprint’s commitment to help,” Thompson said. “Customers who suspect their accounts have been crammed should contact the company that allegedly crammed the account and request that

(more)

Sprint’s anti-cramming policy, add two

their account be credited and that the charge(s) not appear on future bills. If the problem is not solved, the customer should contact his or her local Sprint office.”

Sprint is a global communications company – at the forefront in integrating long distance, local and wireless communications services – and is one of the world’s largest carriers of Internet traffic. Sprint built and operates the United States’ only nationwide all digital, fiber optic network and is the leader in advanced data communications services. Sprint has \$15 billion in annual revenues and serves more than 16 million business and residential customers.

'Don't call' proposals would limit telemarketers

By WILL SENTELL
The Kansas City Star

JEFFERSON CITY — Tired of those annoying telephone sales calls during dinner?

Help may be on the way.

Key state leaders proposed legislation this week to give Missouri residents the option to stop telemarketing calls from companies selling siding, lawn care, cemetery plots and just about everything else.

"It is very difficult for your home to be your castle when there is a door that cannot be locked under any circumstances as long as you have a phone line," said House Speaker Steve Gaw, sponsor of one of several bills on the issue.

"A telephone line into our homes should not be an open invitation to your dinner table every night," Gaw said. The speaker said the proposal "has a great chance for passing."

In Kansas, a bill to ban telemarketing calls during the dinner hour, dubbed the Family Dinner Preservation Act, was filed last year but did not pass.

If Missouri lawmakers reach a consensus on the bills now being discussed, here's how the law might work:

Residents could pay \$10 to add their names and telephone numbers to a statewide list of people who do not want calls from telemarketers. The payment would cover two years.

Firms that make calls to Missouri residents would be required to buy the list and not call those on it. Violators would be subject to fines of up to \$5,000 per violation.

Missouri Attorney General Jay Nixon, who endorsed the idea at a news conference, said \$5 a year "is

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a heck of a bargain to not be bothered by telemarketers." He said the fee would pay costs for maintaining the list and enforcing the law.

Nixon said the proposed ban "would help protect the privacy of consumers who often feel under siege at home because of intrusive telemarketing calls."

"I know of people who don't answer their phone at night because they don't want to talk to another person trying to sell them something they don't want or need," he said.

Aside from Gaw and Nixon, those endorsing the idea were Reps. D.J. Davis, an Odessa Democrat; Don Kissell, a St. Peters Democrat; and

Sen. Jerry Howard, a Dexter Democrat.

Backers said they were confident that differences among various versions of the ban could be resolved. For instance, Gaw's bill would not require consumers to pay a fee to get protection from telemarketing calls.

In Georgia, which enacted a similar law 18 months ago, 167,000 people signed up in the first eight months, officials said.

"We haven't seen any downside," said Bill Cloud, spokesman for the Governor's Office of Consumer Affairs in Atlanta, which helps enforce the law.

Complaints from citizens on the "no call" list who got calls anyway resulted in fines of \$94,000 against

one firm and \$45,000 against another, Cloud said Wednesday.

"It really is a good deal for the Georgia consumer," Cloud said.

Arkansas and Tennessee have similar laws, and Indiana is considering one, officials said.

Backers said telemarketers would benefit from the ban.

Kissell said those who make sales calls would be more productive by having a list of consumers "who have no intention of buying anything that is being solicited over the telephone."

Doug Galloway, who represents Sprint, said he had not studied details of various proposals.

Sprint opposes telemarketing fraud but not telemarketing.

loway said.

"If people weren't buying into telemarketing, telemarketers would not exist," he said.

Missouri officials said any final version of the measure would include exemptions. The Georgia law allows residents to be called by certain charities, universities and political pollsters.

Proposed legislation is available on the Missouri General Assembly Web site, <http://www.moga.state.mo.us/>. On the bill tracking port of the site, search using the keyword telemarketing.

Senate Commerce Committee

Date: 1-14-00

Attachment # 7