

Legislative Analysis



PAY PHONES: REQUIRE NOTIFICATION OF CHARGES

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House Bill 4187 (Substitute H-2)
Sponsor: Rep. Glenn S. Anderson
Committee: Energy and Technology
First Analysis (3-17-04)

BRIEF SUMMARY: The bill would amend the Michigan Telecommunications Act to require a provider of operator service that owns or operates a pay phone or contracts to provide toll service for the pay phone provider to disclose, audibly and distinctly, how the consumer can receive a rate quote before connecting a pay phone call.

FISCAL IMPACT: Based on an analysis of a similar proposal in a previous session, the bill would have no fiscal implications.

THE APPARENT PROBLEM:

In spite of the technological advances that allow more and more people to carry cell phones or other personal communications devices, many citizens still must occasionally rely upon pay phones. When a pay phone call is made and paid for directly, the caller knows how much the call will cost and can either put money in the phone to make the call or, if not, the call will not be connected. If the caller cannot pay directly, he or she can still make a call by having the charges billed to a phone card or home phone. The cost of such a call when made through a pay phone is usually unknown until the caller gets the bill. In a number of cases, people who have made calls on pay phones through operators have been shocked to find that they were charged exceptionally high rates for the call. Many who have faced this situation claim that they would not have continued the call had they been aware of the cost up front.

Complaints about this sort of pricing convinced the Federal Communications Commission (FCC) to adopt rules requiring operator service providers to provide rate information to callers on interstate calls that are placed through a pay phone. The caller must be given the opportunity to end the call after being quoted the rate, if he or she determines that the rate is unacceptable. However, the FCC rules do not affect calls that are made within the state. Given that the failure to fully inform consumers of the potential cost of a service denies them the opportunity to make an informed decision and that the FCC rules are not applicable to intrastate services, legislation has been offered to provide a state standard similar to the FCC's rules.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Telecommunications Act MCL (484.21312c) to require a provider of operator service (an OSP) that owns or operates a pay phone or

contracts to provide toll service for the pay phone provider to disclose, audibly and distinctly, how the consumer can receive a rate quote before connecting a call.

To receive a rate quote, the consumer would have the option of either pressing a sequence of not more than two keys or staying on the line for assistance. The consumer could not be assessed any charge for the use of the pay phone or toll service if the consumer terminated the call after receiving the rate quote.

The bill would not apply to calls made by a consumer using his or her toll provider of choice by dialing the provider's access service method.

ARGUMENTS:

For:

The bill is needed to protect pay phone users from being charged outrageous prices for operator-assisted calls without being informed of the charges before the call is made. This practice is unfair and deceptive, and denies pay phone users the opportunity to make an informed decision about completing the call with the knowledge of the cost. The FCC has already made rules requiring that this information be provided for interstate calls and left it to the individual states to set rules with regard to intrastate services. The bill is said to mirror the FCC rules. Further, according to the bill sponsor, the Michigan Public Service Commission has issued a ruling that an OSP must announce its name and notify callers of their right to receive a rate quote and an explanation of other fees or surcharges that may be applicable. The bill puts similar requirements into statute.

By requiring service providers to inform customers of how to receive a rate quote before connecting a pay phone call, the bill will help to ensure that consumers are able to make informed choices. Once the caller knows the rate that he or she will be charged, the caller can decide whether or not the call is actually worth the price quoted. If a caller cannot make an informed decision, the pressure of competition that would normally keep rates reasonable is ineffective.

POSITIONS:

The following indicated their support of the substitute bill to the House Committee on Energy and Technology on 3-10-04: Verizon, MCI Telecommunications, and AT&T.

The Michigan Pay Telephone Association supports the bill. (3-17-04)

Legislative Analyst: Chris Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.