1995 ANNUAL REPORT

CONSUMER PROTECTION UNIT

MISSION STATEMENT

In 1990, the Legislature modernized the Idaho Consumer Protection Act. In 1992, it enacted Idaho's Telephone Solicitation and Pay-Per-Telephone Call Acts. The purpose was to protect both consumers and businesses against unfair or deceptive acts in trade and commerce, and to provide efficient and economical procedures to secure such protection. In 1993, the Legislature enacted Idaho's Charitable Solicitation Act to provide similar protection from deceptive charitable solicitations. The Consumer Protection Unit, charged with enforcement of these Acts, as well as other laws, seeks to fulfill this charge through education, mediation, and enforcement efforts.

HISTORY

The Consumer Protection Unit was first established in 1973 when the Idaho Legislature enacted the Idaho Consumer Protection Act. At that time it was a division within the Attorney General's Office. The Unit was disbanded by the Legislature in the early 1980s, and was started up again in 1987 with a staff of two. Because of the growing demand for its services and the benefits it provides to Idaho consumers and businesses, the Unit now has grown to a staff of eight people. All new positions added since 1990 have been paid for out of the fees and civil penalties the Unit has collected pursuant to the enforcement actions it has taken.

APPLICABLE LAWS

The Unit enforces and operates pursuant to the Idaho Consumer Protection Act, codified at Title 48, Chapter 6, Idaho Code, the Idaho Consumer Protection Rules, codified at IDAPA 04.02.01000 et seq., the Idaho Telephone Solicitation Act, codified at Title 48, Chapter 10, Idaho Code, the Idaho Pay-Per-Telephone Call Act, codified at Title 48, Chapter 11, Idaho Code, the Idaho Telephone Solicitation and Pay-Per-Telephone Call Services Rules, codified at IDAPA 04.02.02000 et seq., the Idaho Charitable Solicitations Act, codified at Title 48, Chapter 12, Idaho Code, and the Idaho Antitrust Act, codified at Title 48, Chapter 1, Idaho Code.

The Unit also enforces several provisions of other statutes, including the provisions of Idaho Code § 18-3101 dealing with chain and pyramid distribution schemes, the provisions of Idaho Code § 26-2505 dealing with loan brokers, and the provisions of Idaho Code § 67-1401 dealing with nonprofit corporations. Finally, the Unit is often asked for information and advice concerning other laws, such as Idaho's Lemon Law Act, codified at Title 48, Chapter 9, Idaho Code, and Idaho's Landlord/Tenant and Mobile Home Park Acts, codified, respectively, at Title 6, Chapter 3 and Title 55, Chapter 20, Idaho Code.

STAFFING

The Unit is staffed by two deputy attorneys general, two investigators/legal assistants, three consumer specialists, and one secretary.

MEASURES OF ACCOMPLISHMENTS AND ACTIVITIES

The Unit continues to receive large numbers of consumer complaints and inquiries, recover large sums of consumer restitution, civil penalties, fees, and costs, and pursue, where appropriate, significant enforcement actions. The following chart illustrates some of the Unit's activities and accomplishments:

Activity	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**
Complains/Inquires	1088	1428	1243	1614	2525	3367	3130	3228	3627
Dollars Claimed Lost	$713,967	$416,599	$735,731	$680,172	$489,467	$831,437	$1,042,885	$1,268,283	$960,191
Consumer Restitution Recovered	$2,395	$14,054	$22,201	$130,469	$263,435	$394,376	$986,571	$1,757,469	$532,657
Civil Penalties, Fees/Costs recovered	$0	$0	$ 0	$ 500	$56,500	$127,845	$243.571	$163,621	$134,000
Enforcement Actions **	0	4	6	9	62	66	100	78	96
Telemarketers Registered	N/A	N/A	N/A	N/A	N/A	18	41	66	57

** Includes Assurances of Voluntary Compliance, Judgments, and Orders Compelling Response and Granting Injunctive and Other Relief obtained

Overall, consumer complaints and inquiries were up 12 percent over 1994's figures. The top ten complaint categories in 1995 are:

Telemarketing: 445

Multi-level: 358

Mail Order Sales: 328

Automobiles: 304

Magazine Sales: 178

Construction: 163

Publications: 141

Appliances: 114

Food Products: 95

Mobile Homes: 81

NOTES: For the past five years the Unit has recovered more money for Idaho residents than the Legislature has appropriated from its general fund for Unit operations. Unit staff salaries and benefits are expected to cost taxpayers approximately $165,000.00 for the 1996 fiscal year. Another $206,000.00 is budgeted out of the consumer protection account for consumer education, the salaries of four staff members, and litigation and investigative expenses. The consumer protection account is comprised of monies obtained through Unit enforcement actions.

The Unit's efforts at recovering money for damaged Idahoans continue to produce excellent results. In 1995, the Unit recovered three dollars in restitution for each taxpayer dollar appropriated.

1995 ACTIVITIES

This year the Unit secured significant consumer restitution as a result of a number of enforcement actions. Unit personnel educated thousands of people about consumer issues.

Enforcement

The Unit settled a complaint filed against Directory Publishing Services, Inc., and Ralph L. Devine, the company's owner. The company was doing business in Idaho as "Yellow Pages of Idaho." The settlement resolved charges that the company was publishing a deceptive yellow pages directory in Idaho. In addition to obtaining restitution for 115 Idaho businesses, the Unit also recovered $30,000.00 from the company and an agreement from the company to discontinue all further business in Idaho as a publisher of yellow pages or classified directories.

The Unit obtained a consent judgment against Family Credit Services, Inc., and Jeff Beaupain. Defendants were sued as a result of an undercover taping operation of fraudulent telemarketers conducted by Unit investigators. In the undercover operation, Unit investigators identified from its files Idaho consumers who had been repeatedly victimized by telemarketers. With the cooperation of U.S. West Communications and the consent of the victims, the victims were given new telephone numbers. Their old numbers were then transferred to a telephone in the Unit's offices. Each time a telemarketer called, they spoke to an investigator posing as the victim. Each call was tape recorded. As a result of these tapes, in addition to filing suit against Family Credit Services, Inc., and Beaupain, the Unit also filed lawsuits against other telemarketers caught on tape trying to defraud the investigators posing as victims.

The Unit settled a lawsuit against Allied Marketing Group, Inc., a Texas-based direct-mail marketer. The company has done business in Idaho as Sweepstakes Clearinghouse. The Unit sued the company over a solicitation in which consumers were offered a camera and a lifetime supply of film for $12.75. Consumers who accepted the offer got an inexpensive camera. They did not receive 100 rolls of film. Instead they received a coupon book which allowed them to receive a roll of film but only if the consumer paid to have his or her roll of film developed through an out-of-state film service. Using list prices provided by Allied Marketing, and depending upon the ASA of the film and the number of prints to be developed, in order for consumers to receive their 100 rolls of film, they would have to spend between $400.00 and $1,100.00 in film development and shipping services. This information was not disclosed. In the settlement, Allied Marketing agreed to disclose all material conditions associated with its offer. The Unit was also paid $25,000.00.

The Unit obtained a $90,000.00 judgment against a bulk meat seller after he reneged on his agreement to provide refunds to damaged consumers as a result of alleged bait-and-switch sales tactics employed by the meat seller and his agents. Named in the judgment is David Dudley, doing business as Blackfoot Meat Market of Blackfoot, Idaho and Country Meat Market of Coeur d'Alene, Idaho. The Unit is now seeking to execute on the judgment.

The Unit settled a matter with Long Distance Billing Company, a Las Vegas, Nevada business, that was billing northern Idaho residents for 900 calls they did not make. The company was trying to collect on nearly 200 calls that were placed by a Coeur d'Alene teenager. The teen was later convicted for placing the unauthorized calls. When consumers contacted the company to dispute their bills, Long Distance Billing Company falsely told them that their accounts had been researched and the calls and charges were accurate. Not only were the statements false, but the Unit learned through its investigation that the company did not even have the technological capability to do the research it claimed to have done. In settling, Long Distance Billing Company reimbursed Idahoans over $13,000.00 for the bogus billings and paid the Unit $7,500.00.

The Unit obtained consent judgments and assurances of voluntary compliance from seven parties, pursuant to a lawsuit the Unit filed in an office supplies telemarketing case. Agreeing to the entry of consent judgments were Tiptop Shippers, Inc., Western Financial Ventures, doing business in

Idaho as Central Distribution Center, Allstate District Warehouse, Inc., doing business in Idaho as R.P. Green Associates, Gary Jason, president of Central Distribution Center, and Russell Peter Green, president of R.P. Green Associates. In its complaint, the Unit alleged that these defendants unlawfully sold office supplies to Idaho businesses. Specifically, defendants caused invoices for unordered goods and services to be sent to Idaho businesses, failed to inform Idaho consumers of their right to cancel their purchase and did not register in Idaho as telephone solicitors. Agreeing to an Assurance of Voluntary Compliance were G.N.M. Financial Services, Inc., doing business in Idaho as Interstate Distribution Center, and Gilbert N. Michaels, the chief executive officer of Interstate Distribution Center. The Unit alleged that these two defendants assisted the other defendants in their unlawful telemarketing activities, and that Interstate Distribution Center and Michaels knew or should have known they were assisting the other defendants in accomplishing their unlawful acts. The settlement agreements provided for full refunds for damaged businesses, $9,000.00 to be paid to the office, and injunctions against the telemarketers from doing further business in Idaho.

The Unit also focused substantial efforts on deceptive telemarketing practices utilized by sellers of magazine subscriptions. In 1995, the Unit obtained settlements against five different magazine subscription telemarketers. In addition to agreeing to conform their practices to Idaho law, the telemarketers paid the Unit, collectively, over $20,000.00 in civil penalties, fees, and costs.

The Unit settled with the Furst Group, Inc., a New Jersey-based long-distance telephone service reseller. The settlement addresses allegations that Furst Group telemarketers made a variety of misrepresentations and switched some Idaho consumers' long-distance services to the Furst Group, Inc., without the consumers' approval. In addition to offering restitution to eligible consumers, Furst Group agreed that it would ensure there would be no future misrepresentations related to the sale of long distance services and to take specific steps to verify that consumers have consented to a change in their long-distance provider before any change in the consumers' service is made. The company also paid the Unit $10,000.00 as reimbursement of its costs and fees in the matter.

The Unit recovered $50,000.00 in consumer restitution from a Las Vegas, Nevada telemarketer, Professional Marketing, Inc. The recovery came after two years and three lawsuits, one of which was filed in Nevada. Professional Marketing was a prize promotion telemarketing operation. Its telemarketers repeatedly deceived Idaho consumers with promises and statements it did not keep and were not true. Previously, the Unit had recovered over $63,000.00 from the telemarketer.

The Unit joined with the offices of other state attorneys general in settling two cases alleging violations of federal and state antitrust laws. In the first case, the Unit settled with eight major airlines, including United, Delta, American Northwest, and Alaska, for alleged unlawful antitrust practices. The settlement, entered on behalf of state and local government entities, grants 10 percent discounts for the next 18 months to persons traveling on official state and local government business In just the first three months of the settlement, Idaho state and local government entities realized savings for taxpayers of over $90,000.00 in travel expenses. The unit expects that state and local governments will realize $600,000.00 in savings for taxpayers as a result of the settlement. A private antitrust settlement, filed on behalf of consumers, was previously announced and approved by a federal court in Atlanta, Georgia.

In a second multi-state antitrust settlement, the Unit resolved price-fixing charges with Reebok International, Ltd., and its subsidiary, The Rockport Company, Inc. As its part of the settlement, Idaho received $32,000.00, which was earmarked for funding new or remodeled public athletic facilities, equipment, and services. Attorney General Lance divided the $32,000.00 award up into eight $4,000.00 grants which he distributed to the city and parks departments of the following cities: Sandpoint, Coeur d'Alene, Lewiston, Meridian, Nampa, Twin Falls, Pocatello, and Idaho Falls.

Education

Unit personnel gave 77 speeches to 3,046 people in locations throughout the state. In August the Unit staffed a booth at the Western Idaho Fairgrounds. At speeches and pursuant to consumer

requests, Unit personnel distributed thousands of consumer information packets and other consumer materials.

The Unit prepared and disseminated thousands of folders with consumer information targeted toward a variety of groups of people, including Idaho senior citizens and high school seniors.

The Unit is proud to report that all of its consumer education efforts--all television and radio spots produced, all pamphlets, brochures, and tip sheets written and published, and all speeches, travel, and training seminars attended--were done at no taxpayer expense; monies from the consumer protection account--into which all civil penalties, fees, and costs are deposited--were used to fund all of these activities.

RULES AND LEGISLATION

The Unit did not propose any legislation nor promulgate any Rules in 1995.