

**OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION UNIT
1999 ANNUAL REPORT
ALAN G. LANCE, ATTORNEY GENERAL**
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MISSION STATEMENT

The Attorney General's Consumer Protection Unit enforces Idaho's Consumer Protection, Telephone Solicitation, Pay-Per-Telephone Call, Charitable Solicitation, and Antitrust Acts. These Acts protect consumers, businesses and the marketplace from unfair or deceptive acts and practices. The Consumer Protection Unit seeks to fulfill this charge efficiently and economically through education, mediation, and enforcement.

The Attorney General reports to the public annually on the Consumer Protection Unit's activities.

HISTORY

The Consumer Protection Unit (CPU) was established in 1987. The Legislature has assigned to the Attorney General enforcement duties in consumer protection, telephone and charitable solicitations, 900-number telephone calls, and antitrust. The CPU consists of a staff of ten people. Fees and penalties collected from enforcement actions have paid for all positions added since 1990.

APPLICABLE LAWS

The Consumer Protection Unit enforces, and operates pursuant to, the following statutes and rules:

- the Idaho Consumer Protection Act and the Idaho Consumer Protection Rules,
- the Idaho Telephone Solicitation Act,
- the Idaho Pay-Per-Telephone Call Act and the Idaho Telephone Solicitation and Pay-Per-Telephone Call Services Rules,
- the Idaho Charitable Solicitations Act, and
- the Idaho Antitrust Act.¹

¹ These Idaho statutes and rules are codified, respectively as follows: Consumer Protection Act, Title 48, Chapter 6, Idaho Code; the Consumer Protection Rules, IDAPA 04.02.01000 et seq.; the Telephone Solicitation Act, Title 48, Chapter 10, Idaho Code; the Pay-Per-Telephone Call Act, Title 48, Chapter 11, Idaho Code; the Telephone

The Consumer Protection Unit also enforces provisions of other statutes, including those dealing with chain and pyramid distribution schemes. In addition, the CPU provides information regarding Idaho's Lemon Law, Idaho's Landlord/Tenant, and Idaho's Mobile Home Park Acts.

STAFFING

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

1999 ACTIVITIES

This year the Consumer Protection Unit obtained significant consumer restitution as a result of its enforcement actions. CPU staff educated thousands of people about consumer issues.

During 1999, consumers reported more than \$793,493 in consumer losses. The Consumer Protection Unit recovered \$376,972 for Idaho consumers (including restitution from enforcement actions) and \$962,019 in civil penalties, fees, and costs. These amounts do not reflect the \$16 million dollars the State received in 1999, pursuant to the settlement agreement negotiated by the CPU with the tobacco industry.

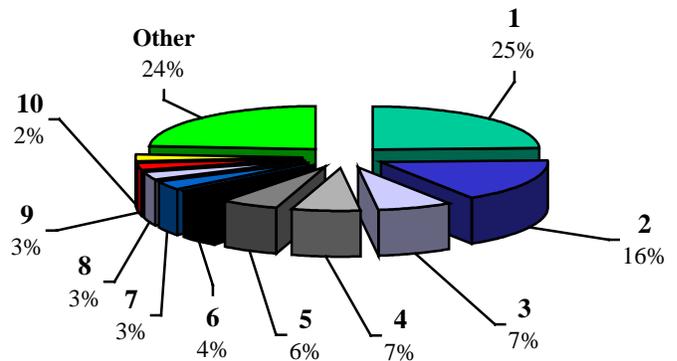
The Consumer Protection Unit logged a total of 9,879 instances of consumer assistance in 1999. 1,874 of these contacts were consumer complaints. The remaining 8,005 consisted of information received from consumers, processing requests for information and forms, and processing inquiries about particular businesses. This number does not reflect a multitude of telephone calls and personal contacts that were not logged in the CPU's database.

Money from civil penalties, fees and reimbursed costs is deposited into the consumer protection account. Funds from this account pay for all of the CPU's educational activities, investigations, and litigation expenses.

1999 TOP TEN CONSUMER COMPLAINTS

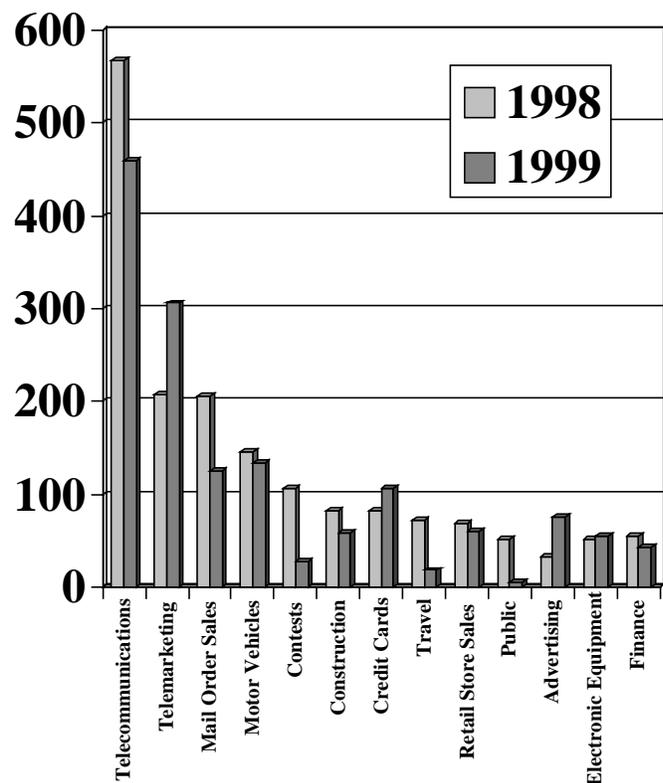
Complaints regarding telecommunications (459) and telephone solicitations (306) continue to dominate the complaints received by the Consumer Protection Unit. In fact of all complaints received, these two complaint categories comprise 40 percent of all complaints received by the CPU. The top ten list is as follows:

	1,874
1. Telecommunications	459
2. Telemarketing	306
3. Motor Vehicles	134
4. Mail Order Sales	126
5. Credit Cards	107
6. Advertising	76
7. Retail Store Sales	60
8. Construction	59
9. Electronic Equipment	55
10. Finance	43
Total of all other complaints	449



1999 Top Ten Complaints as a percentage of all complaints

	2,135
1. Telecommunications	567
2. Telemarketing	207
3. Mail Order Sales	206
4. Motor Vehicles	146
5. Contests	107
6. Construction	82
7. Credit Cards	82
8. Travel	72
9. Retail Store Sales	68
10. Public Accommodations/ Restaurants	52
Total of all other complaints	546



ENFORCEMENT

TOBACCO. During 1999, the tobacco industry paid over \$16 million to the State, pursuant to its settlement agreement with the Attorney General. In addition, the industry implemented all of the settlement's injunctive provisions, including the elimination of billboards, cartoon characters in ads, and the unsolicited delivery of free samples. The CPU worked on a multitude of implementation issues related to the parties' settlement agreement.

KNOLL PHARMACEUTICALS. The Consumer Protection Unit obtained an assurance of voluntary compliance against this company for engaging in deceptive and misleading acts and practices. In an effort to control the market share of its thyroid drug, Synthroid, Knoll Pharmaceuticals, Inc., improperly suppressed medical studies. The company also misrepresented to the states' Medicaid Programs and the medical profession that no generic equivalents or substitutes existed in regards to Synthroid. As a result, states' Medicaid Programs, including Idaho's, purchased Synthroid, rather than less expensive generic drugs, for a number of years. In settling, Knoll Pharmaceuticals agreed to change its marketing practices. Knoll Pharmaceuticals also paid a \$750,000 civil penalty, the largest outside of the tobacco settlement.

TOYS R US. The Consumer Protection Unit filed suit against Toys R Us, and a number of toy manufacturers for allegedly conspiring since 1990 to withhold popular toys from low margin warehouse clubs. As a result, consumers paid higher prices for certain toys and could not compare toy prices. The defendants, Toys R Us, Mattel, Hasbro, and Little Tikes agreed to a settlement. Under the settlement, Idaho will receive \$150,000 worth of toys to distribute to needy children. The defendants will also pay the State \$50,000 with the provision that the money benefit children in the State of Idaho.

COALITION OF POLITICALLY ACTIVE CHRISTIANS. The Consumer Protection Unit obtained a judgment for civil penalties and attorneys fees in the amount of \$12,500 against this company for sending misleading solicitations to Idahoans. The solicitations purported to be jury duty notices. They were not. Instead they were solicitations for long distance telephone services and political action contributions.

LAUNDRY BALLS. The Consumer Protection Unit obtained a judgment against three individuals and their company, TradeNet, for selling bogus laundry products. The products were blue plastic balls that contained nothing other than water. In addition to stopping the misleading sales of the product the defendants paid \$11,000.

MCI. The Consumer Protection Unit led a group of 25 states in settling charges that MCI Telecommunications misrepresented to consumers that a charge it collects from consumers—a so-called National Access Fee—is a government-imposed tax when, in fact, it is not. The settlement requires MCI to alter the way it describes this charge to consumers. MCI also paid the states \$1.45 million, with Idaho receiving \$50,000.

SLAMMING. The Consumer Protection Unit settled "slamming" cases with Business Discount Plan, Inc., and Telecommunications Service Center, Inc., long-distance telephone service re-sellers. "Slamming" refers to illegally switching a consumer's long distance telephone

service to another company without the customer's knowledge or consent. In this case, telephone soliciting was the most common method for slamming.

The settlement resolves the CPU's allegations that these companies misrepresented themselves and switched Idaho consumers' long-distance services without the consumers' approval. The companies agreed to provide restitution to eligible consumers and reimburse the CPU its fees and costs. The companies also agreed that there would be no future misrepresentations related to the sale of long distance services and that they would verify a consumer's consent before switching long distance service in the future. Finally, the companies paid the CPU \$42,500.

CRAMMING. "Cramming," another recent and fast growing form of telephone fraud, involves adding charges for unauthorized services to a consumer's telephone bill. The Consumer Protection Unit settled its first "cramming" cases in 1998. In 1999 it settled an additional case with RRV Enterprises, Inc., doing business as Consumer Access.

The settlement resolves allegations by the CPU that consumers had been billed for telecommunications services they did not want. In addition to providing refunds for consumers, the business paid \$35,000, the largest cramming settlement to date.

MAZDA. The Consumer Protection Unit settled charges that Mazda Motor of America had violated a consent judgment which the company had previously entered into with the Unit. Specifically, the CPU alleged that Mazda advertised automobile leases in violation of the terms of its Consent Judgment. Mazda paid \$50,000 to resolve the matter.

HOBBY HORSE RANCH. The Consumer Protection Unit obtained a judgment that Kent Edwards, doing business as Hobby Horse Ranch Tractor and Equipment, had committed fraud in the sale of imported tractors. Edwards misrepresented the tractors he was selling and failed to disclose material facts about the tractors. Evidence at trial also revealed that Edwards even went so far as to grind off all serial numbers on the tractors. As a result of the judgment, Edwards entered into a subsequent agreement that will provide \$150,000 in restitution to damaged consumers.

NEW HORIZONS TRAVEL CLUB. After a two-day arbitration hearing, the Consumer Protection Unit obtained an order finding that Executive Travel Marketing of Idaho, Inc., Malcolm Renner, Alan Lewis Beers, and David Deutsch misrepresented their travel promotion. The defendants offered Idahoans free vacations if they would attend a free "seminar." The vacation was not a free vacation but a voucher for a room at one of several preselected sites. The seminar was not a free seminar but a hard sell for membership in an expensive travel club. The arbitrator ordered restitution in the amount of \$27,405 for damaged consumers.

FUTURE SHOP. In February of 1999, Future Shop, a computer and electronics retailer, notified the public that it would cease doing business in the United States within approximately 90 days. Future Shop intended to continue its business in Canada where it is the largest such retailer. Shortly after the announcement, the Consumer Protection Unit started receiving consumer complaints stating that Future Shop was refusing to accept valid merchandise returns and was not honoring extended service warranties. Through informal enforcement actions, the CPU was able to require Future Shop to accept all valid merchandise returns and provide

appropriate refunds. The CPU also required Future Shop to make arrangements with a number of computer/electronics service shops around the state so that consumers would receive the extended warranty services they had purchased.

GLACIER MOUNTAIN ACADEMY. The Consumer Protection Unit investigated consumer complaints regarding a private school operating in Northern Idaho. The complaints stated that Glacier Mountain Academy advertised services and facilities that it did not provide and refused to refund tuition when children were removed from the school. The CPU entered into an Assurance of Voluntary Compliance with Glacier Mountain that required the business to correct its advertising practices. The Assurance of Voluntary Compliance also resulted in the business paying consumer restitution in the amount of \$3000 and civil penalties to our office in the amount of \$1000.

ON-GOING LITIGATION AND INVESTIGATIONS. The CPU is currently litigating cases in Ada, Jefferson, and Cassia Counties for alleged violations of the Consumer Protection Act. The CPU is also litigating cases in federal courts in Florida, New York, and Washington, D.C. for violations of the antitrust laws.

The Consumer Protection Unit is actively investigating certain automobile leasing practices, a financial investment seminar operator, multiple pyramid operations, long distance companies that allegedly slammed consumers, “badge” charitable solicitations, sweepstakes operators, and a mail order retailer. It is expected that several of those investigations will result in settlements or the initiation of legal enforcement proceedings.

EDUCATION

The Attorney General believes that consumer education is essential. “My Consumer Protection Unit will win its battles in the courtroom, but Idaho will win the war on consumer fraud with informed citizens protecting themselves from loss and harm,” Attorney General Lance has stated. Accordingly, the CPU conducts an aggressive consumer education program.

Consumer Protection Unit personnel made 51 presentations to approximately 2,176 people throughout the state. In addition, Consumer Protection Unit staff talked with thousands of Idaho residents during the Western Idaho, Canyon County, and Twin Falls County Fairs.

The Consumer Protection Unit prepared and distributed thousands of folders with consumer information targeted toward a variety of groups, including senior citizens and high school seniors.

All of the Consumer Protection Unit’s written materials are available through the Attorney General’s Internet homepage. Tipsheets cover a variety of topics, including telephone solicitors, automobile repairs, mail fraud, Idaho’s Lemon Law, construction fraud, and charitable donations. Consumers can also read Idaho’s consumer protection laws and learn how to file a consumer complaint.

The Attorney General’s Internet address is: <http://www.state.id.us/ag>.

Citizens can also obtain information on consumer issues by calling 334-2424 (Boise) or toll-free (in-state) 800-432-3545.

The Consumer Protection Unit provides all educational efforts at no cost to taxpayers. Money from civil penalties, fees and reimbursed costs is deposited into the consumer protection account. Funds from this account pay for all educational activities.

LEGISLATION

In the 1999 legislative session, Attorney General Lance proposed measures designed by the CPU to stop unsolicited telephone calls and to address conversions by non-profit hospitals into for-profit ventures.



NOTES: In 1999, the Consumer Protection Unit recovered more than \$1.32 in restitution for each taxpayer dollar appropriated. For the past 9 years the Consumer Protection Unit has recovered more money for Idaho residents than the Legislature has appropriated from its general fund for Consumer Protection Unit operations. Consumer Protection Unit salaries and benefits are expected to cost taxpayers approximately \$281,964.74 for the 2000 fiscal year. Another \$321,300 is budgeted from the consumer protection account for consumer education, the salaries of staff members, and litigation and investigative expenses. The consumer protection account is comprised of moneys obtained through Consumer Protection Unit enforcement actions.