

MINUTES -- COMMERCE COMMITTEE - 56TH ASSEMBLY - March 17, 1971

Members present: McKissick, Lingenfelter, Capurro, Branch  
Dini, Hafen, Poggione, Hilbrecht

Others present: Mr. Louis Mastos, former Insurance Commissioner; Mr. Dick L. Rottman, Insurance Commissioner; Mr. L. J. McGee, First Natl. Bank Trust Officer; Mr. Orvil Peterson, Vice President - Western Parking; Mr. Joe Elkana; Mr. Jim Clark; Mr. Virgil Anderson; Mr. Don Mello, Assemblyman; Mrs. Eileen Brookman, Assemblyman; Mr. Clyde Burkhardt; Mr. Earl Town, Service Station operator; George Vargas, Esq., Counsel for S&H Green Stamps; Mr. Ted Hughes, S&H Green Stamps Regional Representative; Mrs. Genevieve Peritti, representing the Nevada State Home Economics Assn. Other unidentified persons were at the hearing.

Chairman McKissick called the meeting to order at 10:55 a.m. He stated that the committee had voted not to postpone hearings on AB 472 until all of the Senate bills in this connection were in. Senate bills 45 and 46 -- 517 and 551.

Mr. Hilbrecht moved to have all Senate bills in this connection put in the Assembly bill books. The motion was carried.

Mr. McKissick asked for those who wished to testify on AB 472, relating to burial societies; regulating practices connected with prepaid funeral service contracts; providing penalties; and providing other matters properly relating thereto, to come forward.

Mr. Louis Mastos, former Insurance Commissioner for the State of Nevada, testified that he felt the law was not protecting a service to the people of the state. He felt these kind of contracts should be covered under insurance principles. There was some discussion with Mr. Mastos as to how AB 472 compared with the Senate Bills that have been proposed. He stated that he did not feel any of the Senate bills covered the subject to the liking of the insurance people. Several members of the committee posed questions as to whether or not the Insurance Code offered any protection and how it worked. Mr. Mastos stated that they did not feel the Insurance Code had proper jurisdiction and that NRS 689 did not offer the proper protection to the people.

Mr. Dick L. Rottman, newly appointed Insurance Commissioner, joined Mr. Mastos in testimony.

Mr. Lingenfelter posed the question as to whether they knew of anyone that had purchased a contract and had not had the service performed.

Mr. Mastos and Mr. Rottman said no, they had not heard of any one who had been denied the service, but they pointed out that

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the funeral and burial societies sell a service that is needed but that over the years these contracts have appeared as a fleecing operation as far as the individual is concerned. They promise to bury a person and there are other vague promises in the contract, but there is no solid set of regulations. They said the problem is that they could not get a bill written to effectively regulate them. They said they would rather revert back to NRS 689 through the department of Insurance than pass any of the bills that were presently before the legislature.

Mr. McKissick asked if they could draw up amendments that would do the trick? Would it be possible to make amendments to AB 472 that would be acceptable to the Insurance Dept.

Mr. Mastos and Mr. Rottman stated that the following four provisions would be necessary to make it acceptable to them.

- (1) Spell out in the contract specifically what you are going to sell.
- (2) Make the company establish a reserve. The commission of the company comes off the top 25% of the individual's payments. Unless a person has paid more than 25% of his contract he has nothing. Reserve of up to 85% recommended.
- (3) Require an effective cash value that may be refunded.
- (4) There should be some share of the interest income on these funds revert to the buyer. Right now the buyer received no interest at all on his invested money.

Mr. L. J. McGee, Vice President and Senior Trust Officer, of the First National Bank of Nevada, was called on to testify. He stated he was there as a member of a Trust Division of the Nevada Banking Association. After some remarks he offered a letter stating the position of the trust people which Mr. McKissick asked to have copied for each member of the committee.

Mr. McKissick asked that the Insurance Commissioner work with Mr. Capurro as a sub-committee to work out amendments to AB 472 and they would consider it later.

Mr. McKissick stated they would conclude the hearing on AB 472.

Mr. McKissick said AB 563 had been heard and gone out of the committee with a do pass, and then it had been put on the Chief Clerk's desk without action. After another bill came in on the business of Tow Cars under the PSC, he felt that it was important to hear all sides.

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Mr. Orvil Peterson, Vice President, Western Parking, testified on AB 563. He stated in some detail the problem of cars consistently being left on parking lots by individuals who had no intention of paying parking tickets. He explained that after so many courtesy tickets had been left on the car, then the towing company was called and the car was towed away.

There was some discussion between Mr. Peterson and the members of the committee as to why a towing company was called rather than the police department and questions were posed to Mr. Peterson about the policy. Mr. Peterson explained the policy.

Mr. Joe Elkana then joined Mr. Peterson in testimony. He explained that those people who pay an initial charge for parking and then leave their car for several days or go over the parking time are not the people they are concerned with. He stated it was the chronic offender who never paid a parking ticket and consistently parked in lots day after day, each day in a different lot, and on which they were not able to collect any fee at all, that they were really after. He said there are some people who have as many as 40 parking tickets in the window of their car and who have not paid one penny on parking privileges.

Mr. McKissick asked if there were any other people who wanted to testify.

Mr. Jim Clark testified concerning people who continue to leave their cars in lots and have no intention of paying a parking ticket. He said he would like to see the 72 hour expiration period reduced.

Mr. McKissick stated that it was originally 24 hours, would you go for that?

Mr. Clark stated that the main concern was finding a way to collect or make these offenders come in and pay for their parking privilege.

Mr. McKissick appointed Mr. Lingenfelter and Poggione to prepare statements or amendments and then they would decide what to do.

Mr. Lingenfelter stated that he had spent some time with all of the different parties concerned with AB 759 and he felt that all were agreed on it.

Mr. Virgil Anderson testified as to one or two small amendments that he would like to have considered in this bill.

Mr. McKissick appointed Mr. Capurro and Lingenfelter to work as a sub-committee with Mr. Anderson and Mr. Clark to get amendments made to clean up AB 759.

Mr. McKissick said they would now consider AB 314, which requires redemption of trading stamps for cash.

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Assemblyman Don Mello was first to testify on this bill. A copy of his remarks are attached hereto for reference.

Assemblyman Eileen Brookman testified in favor of the bill, stating that she did not want to have the stamps taken away, but felt that a cash redemption on stamps should be an option to which she was entitled, and that this would be good consumer protection which she was always after.

Mr. Earl Town testified, representing the service station dealers and operators in the area. Mr. town said their group was in favor of a cash redemption to the customer. He said their group felt that a cash value should be placed on each and every stamp and that the householder or consumer could redeem in cash up to \$2.70 or \$3.00 equal to the merchandise that they would be receiving. The various reports that they had received through the year was that the consumer is paying the tab and he felt they should be given a fair shake at the process so to speak.

Mr. Branch posed the question as to why some stations will give up to 10 times as many stamps as necessary.

Mr. Town stated that was usually done to get people to come in and buy gas, that it was a sort of give away to get people in.

Mr. Branch asked if they raised the price of gas.

Mr. Town said that some of the stations do raise the price of gas to cover this extra cost, but he stated that was not his personal policy; he said he paid for his stamps out of his own pocket.

Mr. McKissick asked if there were any other pro-ponents of the bill. He then asked for testimony on the opposite side of the bill.

Mr. George Vargas, Counsel for S&H Green stamps testified at some length in opposition to AB 314. He submitted a summary of his remarks to the chairman and committee members, and are made a part of these minutes.

Mr. Hilbrecht commented that he felt that the prices asked for items in the catalogue were a little high and perhaps not quite fair to the consumer. He cited one case of a powered minibike selling for 80 books out of the catalogue which he said was on the market in the local department store for about \$100.00. He felt this was out of line price wise. He wondered if people were getting their money's worth?

Mr. Ted Hughes, representing S&H Green Stamps from their regional office in San Francisco answered Mr. Hilbrecht. Mr. Hughes stated that prices vary over the United States

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and they print only one price in the catalogue, perhaps that minibike would cost more in Florida for example. He also stated that he did not feel most prices were out of line, but there might be a few exceptions. He closed with the statement "so all were asking really is to let us merchandise as we have merchandised for the past 75 years and very successfully, and again we do not believe in all consciousness that we are out to gouge the consumer in any way, shape or form."

Mr. McKissick: Thank you, I think the committee have a pretty good idea one way or the other, now one question, go ahead.

One gentleman challenged the counsel for S&H that they were talking around the subject and not on what the bill itself contained. That all trading stamps have printed upon them that they could be redeemed in cash.

Mr. McKissick said he thought what he was trying to say was that for Nevada it would be necessary to print a special stamp, and in effect they would have to withdraw from Nevada, is that what you were saying George.

Mr. Vargas stated that he thought they would have to print a stamp for Nevada.

Mr. Mello challenged him on this point stating that the stamps already contained the words that they could be redeemed for either cash or merchandise. Mr. Mello and Mr. Vargas exchanged views on the ownership of Blue chip stamps and other minor matters.

Mr. McKissick stated that they were going to conclude the hearing, and if the committee would stay for a moment they would talk about taking action on some other bills.

Mrs. Genevieve Peritte asked permission to briefly state that she was impressed by the remarks of Mr. Mello and wanted to go on record as being in complete agreement with him in favor of the bill. She was speaking in behalf of the Nevada Home Economics Assn.

Mr. McKissick stated, that if they would like to put that in writing in the form of a letter to the committee they would be happy to consider it when they considered the bill.

Mr. McKissick announced they would go into committee hearing at 7:30 a.m. tomorrow morning, March 18, to hear the NIC package.

MR. CAPURRO MOVED THAT THEY PASS AB 721 OUT OF COMMITTEE WITH A DO PASS. SECONDED BY MR. HILBRECHT. MOTION CARRIED WITH MR. MCKISSICK AND MR. HAFEN DISSENTING.

MR. MCKISSICK MOVED THAT AB 748 BE MOVED FROM THE COMMITTEE WITH A DO PASS. SECONDED BY MR. BRANCH. MOTION CARRIED.

Presentation of Assemblyman Don Mello before the Assembly Commerce Committee hearing on AB 314, March 17, 1971

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Trading stamps have become almost a way of life for many American consumers. We rely on them as a form of forced savings with the purchase of merchandise through gift redemption. But for others, trading stamps are seen as a nuisance and an unnecessary and unwanted cost factor added to the price of goods.

There are presently 19 states offering these programs. I called some of the dealers to find out what they were paying for these stamps. The Blue Chip and Green Stamps are selling for \$15.00 for 5000 stamps. Each dealer pays 3/10 of a cent for each stamp. One dealer told me that it was costing him \$75.00 a week. You will hear some of these figures again. The dealer pays 3/10 of a cent for each stamp purchased from the stamp companies, then he usually gives a 10¢ stamp for every dollar spent; this is equal to a 3/10 of a cent discount to the consumer. If the dealer is adding on the original price he paid for the stamps, then the consumer is paying more. The consumer has to spend \$120.00 of merchandise to fill his book and the stamp company places the merchandise value at \$3.00 per book. It takes 1200 stamps to fill a book which costs the dealer \$3.60. Remember - they place a \$3.00 value on the book. This means the consumer loses \$0.60 from the original cost. Blue chip now gives \$1.20 cash redemption per book. This means the consumer has lost \$2.40 from the original cost.

For example, if you were to go down and wanted to purchase a can opener, knife sharpener combination, the same one that you find in the store of Blue Chip or Green Stamps, it takes 5 3/4 books at \$3.00 per book. Their price \$17.25, and of course you have to pay tax on this. Retail price, and when I say retail, it was the highest price I could find in town, the same can opener combination was \$15.98. So there is a savings there if you paid cash. At a discount store I found the price to be \$13.98. Remember their price is \$17.25. You can see there is quite a difference in savings to the consumer if he pays cash.

Lets take one more example. Heres a 10 cup electric corning-ware coffee pot, the same one you can buy in any store, it takes 9 3/4 books, again at \$3.00 per book, their price is \$29.25. The highest I could find in town was \$29.95, a few cents higher. At a discount store I could get the same one for \$24.48. As you know we have many discount stores in the State of Nevada now. A smart buyer can buy the same product from a discount store at least once a month on their sales for \$19.98. Approximately a \$10.00 saving.

It cost the consumer \$1,170.00 of buying merchandise to purchase the coffee pot we were just talking about. What are stamps worth? Lets take the 9 3/4 books again. Thats 11,700 stamps. Lets take the coffee pot for \$29.95, this means that the dealers original price on the stamps is not 3/10 of a cent, but is now worth only .026 of a cent. We could go right down through a list but I won't take your time.

Blue Chip places a one mill value on a ten cent stamp, and remember they give \$1.20 cash redemption. So it appears to me they are making 66 percent on redemption, for overhead and profit. If they give \$2.70 cash redemption it appears they would be making 25 percent which seems to be a pretty good business when most business people I have talked to figure 7 percent. The sub-committee thought the consumer should have a choice of cash or trading their stamps in for merchandise, but they should not be penalized for shopping at a place of business which gives stamps. No matter how you look at it, Gentlemen, the consumer pays dearly for stamps.

MEMORANDUM CONCERNING NEVADA  
ASSEMBLY BILL NO. A.B. 314

REQUIRING STAMPS TO HAVE A CASH OVERPRINT AND PROVIDING  
THAT STAMPS MUST BE REDEEMABLE IN CASH AT THE OPTION OF THE HOLDER  
SERVES NO LEGITIMATE PURPOSE.

The trading stamp business is conducted in the following way. Trading stamp companies enter into agreements with retail merchants pursuant to which the merchants are licensed to issue to their customers the companies' trading stamps. The merchants agree to advertise the use of the stamps and to issue them to their customers. In turn, the trading stamp companies agree to redeem the stamps from the merchants' customers in merchandise when the stamps are presented for redemption.

Trading stamp companies are in a position to offer a far greater merchandise value to their stamp savers per book of stamps than they could offer them in cash. Like all other large merchandising companies, trading stamp companies buy merchandise in large quantities at wholesale prices and are thus enabled to offer their stamp savers redemption merchandise at a retail value which is far higher than the amount of cash they could offer for their stamps. Hence, any cash value printed on the stamps would of necessity have to be substantially lower than the merchandise value of the stamps. (We cannot obtain money wholesale)

From the point of view of the merchant using trading stamps, the stamps would become less attractive if they would have to carry a cash value. Because the cash value would of necessity have to be much lower than the merchandise value, the merchants' customers would get the impression that the value of the stamps they receive is substantially lower than it actually is. The overprinting of such a cash value would not reflect the actual value of the stamps



which is determined by the merchandise which may be redeemed by the stamp savers for the stamps. There is no mystery as to that value, and stamp savers are well acquainted with it from their experience of redeeming trading stamps and from their inspection of the catalog of redemption merchandise indicating the number of stamps needed to redeem a given item of merchandise. Such catalogs are made available to all stamp savers. They are distributed by the trading stamp companies through the merchants who issue the stamps and such merchants have a supply of catalogs on hand at all times which may be, and are, picked up by the merchants' customers when they patronize their stores.

Finally, and perhaps most importantly, it should be noted that there is no demand on the part of the stamp saving public for the redemption of trading stamps in cash. The fact is that in the states which have adopted laws requiring the redemption of trading stamps in cash at the option of the holder, cash redemptions amount to no more than a fraction of one per cent of all redemptions. The reason for this, as has been noted, is that trading stamp companies are in a position to offer a far greater merchandise value for their stamps than they can offer in cash.

Since, therefore, there is no demonstrated need for cash redemption, trading stamp companies should be permitted to carry on their business in the manner they have chosen. This choice should not be interfered with by an arbitrary edict, proposed by this bill, requiring cash redemption as an alternative.

Finally, it should be noted that there is no reason why trading stamps should be redeemable in cash any more than other coupons or, for that matter, any other promotional devices. Merchants engage in many forms of promotion, including free delivery service,

raffles, etc. It has never been suggested, nor is there any reason to suggest, that merchants using such promotional tools should be required by law to give their customers an alternative of selecting an equivalent value in cash at the customers' option. There is no legitimate reason why trading stamps alone among promotional devices should, as a matter of law, be redeemable in cash at the option of the holder.

#### CONCLUSION

A.B. No. 314 proposes the enactment of unnecessary regulation which serves no legitimate purpose and should not be enacted.