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MINUTES - COMMERCE COMMITTEE - 56TH ASSEMBLY - March 30, 1971

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

Others present: Chuck Crawford, President of Nevada's Consumer Committee

AB-416 - Proposes new insurance code - After Chairman McKissick convened the meeting at 11:30 a.m., he asked how they wanted to handle the effective date of 12:01 a.m., July 1, 1971, on the insurance code. It will be handled by "gentlemen's agreement".

AB-314 - Requires redemption of trading stamps for cash. Mr. Crawford appeared in favor of this bill. His statement is attached and shall become a part of these minutes. Mr. Lingenfelter asked how far they were expected to go to protect the public. Mr. Hilbrecht asked where Mr. Crawford wanted the amendment to go on this bill and it was proposed that Sec. 3, line 3 be amended to read "redeemable at cash value not less than \$.0015." MOTION BY DINI TO INDEFINITELY POSTPONE AB-314, SECONDED BY POGGIONE. HILBRECHT AMENDED THE MOTION BY STATING HE MOVED A DO PASS OF AB-314 WITH AMENDMENT. SECONDED BY BRANCH. MOTION FAILED TO PASS WITH HILBRECHT, BRANCH AND MCKISSICK VOTING FOR AND THE REST AGAINST. Hilbrecht asked to go on record as attempting to protect the people. Capurro stated that passage of this bill would restrain trade in one way or another. MOTION ON AN INDEFINITELY POSTPONE OF AB-314 WAS PASSED WITH MCKISSICK, HILBRECHT AND BRANCH DISSENTING.

AB-555 - Reduces interest rate for retail charge agreements - MOTION BY POGGIONE TO INDEFINITELY POSTPONE AB-555, SECONDED BY ASHWORTH AND CARRIED WITH BRANCH, HILBRECHT AND DINI DISSENTING.

AB-666 - Permits greyhound racing in Henderson - Hilbrecht stated that this proposed bill was different from the last one submitted and it was brought out that an amendment had been proposed so the possibility of another city securing permission to operate greyhound racing had been drafted. Mr. Dini stated he didn't want the gaming commission having to police this racing. Capurro brought out that dog racing and horse racing is not compatible. McKissick brought out that the fact the stock for this racing would go out for public sale was why he didn't favor the bill. Poggione agreed that the stock issue was the reason for his motion. MOTION BY POGGIONE TO INDEFINITELY POSTPONE AB-666, SECONDED BY CAPURRO. MOTION BY MCKISSICK TO AMEND THE MOTION BY MOVING THAT AB-666 BE AMENDED AND PUT OUT WITHOUT RECOMMENDATION. SECONDED BY HILBRECHT AND FAILED WITH HILBRECHT, LINGENFELTER & MCKISSICK VOTING FOR AND HAFEN ABSTAINING. ACTION WAS THEN TAKEN ON INDEFINITELY POSTPONING AB-666, MOTION CARRIED WITH HILBRECHT AND LINGENFELTER DISSENTING AND MCKISSICK AND HAFEN ABSTAINING.

AB-579 - Requires county hospitals to carry liability insurance for physicians treating indigents - The proposed amendment in subsection 4 was discussed. Hafen stated he still would like to know what proportion would be borne by the counties. Capurro stated that some companies will not cover physicians treating for no fee. He also stated that after a long period of time, the physicians could still be sued and also that some unknown medical problem could arise later on. MOTION BY LINGENFELTER SECONDED BY BRANCH FOR AN AMEND AND DO PASS ON AB-579. MOTION CARRIED

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SB-50 - Provides that heart diseases of certain peace officers are occupational diseases. MOTION BY BRANCH FOR A DO PASS ON SB-50, SECONDED BY DINI AND CARRIED WITH POGGIONE, HAFEN AND LINGENFELTER DISSENTING.

AB-674 - Repeals statute declaring firefighters' heart diseases as occupational diseases and compensable as such. MOTION BY LINGENFELTER FOR A DO PASS ON AB-674, SECONDED BY ASHWORTH. MOTION AMENDED BY HILBRECHT FOR AN INDEFINITELY POSTPONE ON AB-674, SECONDED BY BRANCH AND CARRIED WITH 5 FOR AND 4 dissenting.

A minority report will be made on SB-50.

Meeting adjourned at 12:10 P.M.

ASH
HAFEN
POG
CAP

This is to clarify how committee members voted on the bills acted upon.

AB-314 - Requires redemption of trading stamps for cash.

MOTION BY DINI TO INDEFINITELY POSTPONE AB-314, SECONDED BY POGGIONE. HILBRECHT AMENDED THE MOTION BY STATED HE MOVED A DO PASS OF AB-314 WITH AMENDMENT. SECONDED BY BRANCH. MOTION FAILED TO PASS WITH HILBRECHT, BRANCH AND MCKISSICK VOTING FOR AND HAFEN, CAPURRO, DINI, LINGENFELTER, ASHWORTH AND POGGIONE DISSENTING.

MOTION ON AN INDEFINITELY POSTPONE OF AB-314 WAS PASSED WITH HAFEN, CAPURRO, DINI, LINGENFELTER, ASHWORTH AND POGGIONE VOTING FOR AND HILBRECHT, BRANCH AND MCKISSICK DISSENTING.

AB-555 - Reduces interest rate for retail charge agreements.

MOTION BY POGGIONE TO INDEFINITELY POSTPONE AB-555, SECONDED BY ASHWORTH AND CARRIED WITH POGGIONE, ASHWORTH, HAFEN, CAPURRO, MCKISSICK, LINGENFELTER VOTING FOR AND BRANCH, HILBRECHT, AND DINI DISSENTING.

AB-666 - Permits greyhound racing in Henderson.

MOTION BY POGGIONE TO INDEFINITELY POSTPONE AB-666, SECONDED BY CAPURRO. MOTION BY MCKISSICK TO AMEND THE MOTION BY MOVING THAT AB-666 BE AMENDED AND PUT OUT WITHOUT RECOMMENDATION. SECONDED BY HILBRECHT AND FAILED WITH HILBRECHT, LINGENFELTER AND MCKISSICK VOTING FOR; HAFEN ABSTAINING; BRANCH, CAPURRO, DINI, ASHWORTH, POGGIONE DISSENTING.

ACTION WAS THEN TAKEN ON INDEFINITELY POSTPONING AB-666, MOTION CARRIED WITH HILBRECHT AND LINGENFELTER DISSENTING; MCKISSICK AND HAFEN ABSTAINING; BRANCH, CAPURRO, DINI, ASHWORTH, AND POGGIONE VOTING FOR.

AB-579 - Requires county hospitals to carry liability insurance for physicians treating indigents.

MOTION BY LINGENFELTER, SECONDED BY BRANCH FOR AN AMEND AND DO PASS ON AB-579. MOTION CARRIED UNANIMOUSLY.

SB-50 - Provides that heart diseases of certain peace officers are occupational diseases.

MOTION BY BRANCH FOR A DO PASS ON SB-50, SECONDED BY DINI, CARRIED WITH POGGIONE, HAFEN AND LINGENFELTER DISSENTING; BRANCH, DINI, MCKISSICK, CAPURRO, ASHWORTH, HILBRECHT VOTING FOR.

AB-674 - Repeals statute declaring firefighters' heart diseases as occupational diseases and compensable as such.

MOTION BY LINGENFELTER FOR A DO PASS ON AB-674, SECONDED BY ASHWORTH. MOTION AMENDED BY HILBRECHT FOR AN INDEFINITELY POSTPONE ON AB-674, SECONDED BY BRANCH AND CARRIED WITH DINI, MCKISSICK, BRANCH, HILBRECHT, LINGENFELTER VOTING FOR AND ASHWORTH, HAFEN, POGGIONE, AND CAPURRO DISSENTING.

ASSEMBLY

AGENDA FOR COMMITTEE ON COMMERCE

Date 3/31 Time 10:30 a.m. Room 214

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<u>Bills or Resolutions to be considered</u>	<u>Subject</u>	<u>Counsel requested*</u>
AB-695	Prohibits retail sales at less than cost plus 5 percent	
AB-696	Prohibits "referral selling".	
AB-724	Regulates door-to-door solicitations and sales	
AB-732	Establishes Nevada Factory-Built Housing Law	
AB-767	Requires public utilities to pay market- responsive rate of interest on deposits required of consumers.	

*Please do not ask for counsel unless necessary.

HEARINGS PENDING

Date _____ Time _____ Room _____
Subject _____

Date _____ Time _____ Room _____
Subject _____

GENTLEMEN:

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I WOULD LIKE TO ADDRESS MYSELF TO YOU, ON BEHALF OF NEVADA CONSUMER'S COMMITTEE, IN REGARD TO ASSEMBLY BILL 314 WHICH CALLS FOR REDEMPTION OF TRADING STAMPS FOR CASH IN QUANTITIES AMOUNTING TO MORE THAN 25¢ CASH VALUE.

THE MANY SPONSORS OF THIS BILL HAVE ATTEMPTED TO CREATE, IN THE STATE OF NEVADA, THE OPTION SOME *SIXTEEN* OTHER STATES ALREADY OFFER THEIR CITIZENS: THE OPTION OF RECEIVING CASH IN LIEU OF SO-CALLED DISCOUNT STAMPS.

WE ARE ENTHUSIASTICALLY IN FAVOR OF THIS LEGISLATION IN SUBSTANCE, YET WE FIND THAT WE CANNOT ENCOURAGE ITS ENACTMENT WITHOUT A CLARIFICATION OF TWO VITAL POINTS.

IN SECTION THREE, THE BILL PROVIDES FOR REDEMPTION OF TRADING STAMPS ON THE BASIS OF A STATED CASH VALUE WHICH WOULD BE REQUIRED IF THIS WERE ENACTED INTO LAW.

IN SECTION FOUR, THE STAMP COMPANY IS CHARGED WITH THE RESPONSIBILITY OF REDEEMING STAMPS FOR CASH.

IN ORDER TO BEST EXPLAIN OUR JUSTIFICATION FOR SUPPORT OF THE SUBSTANCE OF THIS LEGISLATION AND FOR SEEKING CERTAIN CHANGES IN ITS PROVISIONS, I WOULD LIKE TO DISCUSS WITH YOU THE NATURE OF THE TRADING STAMP INDUSTRY.

WE FIND THAT THE TRADING STAMP COMPANIES---WHETHER THE COMPANY BE BLUE CHIP OR GREEN STAMP---ARE IN BUSINESS BECAUSE THEY CATER TO THE BASIC CONSUMER INSTINCT TO GET SOMETHING FOR WHAT MAY SEEM TO BE NOTHING. *NO* CERTAINLY MOST CONSUMER'S REALIZE THAT THE STORE IS NOT GIVING THE STAMPS TO THEM FOR NOTHING---BUT VERY FEW HAVE ANY KNOWLEDGE AS TO THE CHARGE THEY ARE ABSORBING IN HIGHER PRICES AS COMPARED WITH THE VALUE OF THE MERCHANDISE WHICH THEY RECEIVE AT THE REDEMPTION CENTER.

WHAT IS THE STAMP WORTH TO THE CONSUMER?

WELL, CONSIDER THE FACT THAT AN AVERAGE TRADING STAMP COST THE AVERAGE RETAIL STORE AN AVERAGE OF POINT .2 CENTS IN 1966. SINCE THE TRADING STAMP COMPANIES CHARGE THE CONSUMER SALES TAX ON A BOOK OF 1200 STAMPS ON THE BASIS OF \$3 OF VALUE, EACH STAMP IS CONSIDERED TO BE WORTH A QUARTER CENT OR POINT .25 CENTS. THE COST TO THE STAMP COMPANY FOR THE MERCHANDISE THAT CAN BE REDEEMED FOR STAMPS IS APPROXIMATELY POINT .15 CENTS.

WHAT HAS HAPPENED IS THAT THE CONSUMER HAS PAID AN AVERAGE OF TWO CENTS ON THE DOLLAR IN INCREASED FOOD, MERCHANDISE OR GAS PRICES, FOR THE PRIVILEGE OF BUYING MERCHANDISE AT THE STAMP REDEMPTION STORE WHICH COST THE STORE $1\frac{1}{2}$ CENTS BUT FOR WHICH HE IS CHARGING $2\frac{1}{2}$ CENTS. ALL THIS, FOR THE RIGHT TO BUY MERCHANDISE WITH QUASI-CURRENCY FROM A VERY LIMITED SELECTION AND AT PRICES WHICH CANNOT BE COMPETED WITH SINCE THE STAMPS ARE WORTHLESS AT ANY OTHER RETAIL STORE.

BUT, DISREGARDING THE VERY POOR BARGAIN THE CONSUMER IS GETTING FROM THE TRADING STAMP COMPANY AND THAT THE COMPANY IS MARKING HIS MERCHANDISE UP BY OVER 65%, AND THAT THE CUSTOMER HAS NO ALTERNATIVE TO THOSE PRICES SINCE HIS BOGUS MONEY IS MONEY IN ONLY ONE STORE, THERE IS AN EVEN GREATER INEQUITY THAT EXISTS.

THESE ARE THE FACTS THAT THE CONSUMER IS PAYING FOR THE PRIVILEGE OF BUYING MERCHANDISE AT THE STAMP REDEMPTION STORE WHICH COST THE STORE $1\frac{1}{2}$ CENTS BUT FOR WHICH HE IS CHARGING $2\frac{1}{2}$ CENTS. ALL THIS, FOR THE RIGHT TO BUY MERCHANDISE WITH QUASI-CURRENCY FROM A VERY LIMITED SELECTION AND AT PRICES WHICH CANNOT BE COMPETED WITH SINCE THE STAMPS ARE WORTHLESS AT ANY OTHER RETAIL STORE.

THAT IS, THAT THE CONSUMER OUGHT TO BE ABLE TO DO WHAT HE WISHES TO WITH HIS MONEY AT WHATEVER STORE HE CHOOSES, AND-- 232
UNDER THE PRESENT CONDITIONS---HE IS NOT GIVEN A CONVENIENT OPTION. HE OUGHT TO HAVE THE CHOICE OF KEEPING HIS 2 CENTS PER DOLLAR-OR TO SPEND IT ON THE TYPES OF ITEMS HE NEEDS OR DESIRES. HE SHOULD NOT BE FORCED TO REDEEM STAMPS FOR ITEMS WHICH THE INDUSTRY ITSELF ADMITS ARE LUXURY ITEMS THAT ARE STOCKED TO APPEAL TO THE EXTRAVAGANT WHIMS OF CONSUMERS.

BUT EVEN MORE OF AN INADVERTANT INJUSTICE IS DONE TO INDIGENT CONSUMERS WHO RECEIVE TRADING STAMPS WHICH CAN BE REDEEMED FOR ONLY ITEMS THAT RARELY HAVE PRACTICAL VALUE, AND WHICH ARE OFTEN THE MOST EXPENSIVE LINE OF MERCHANDISE AVAILABLE..

BY AUTOMATICALLY DISCOUNTING THAT PERSONS MONEY AT THE GROCERY CHECK STAND OR AT THE GAS STATION, THE TRADING STAMP INDUSTRY IS SYSTEMATICALLY FORCING THIS PERSON TO OBTAIN ITEMS WITH STAMPS WHICH HE EITHER DOES NOT TRULY WANT OR, IN FACT, DOES NOT NEED. HE IS TRAPPED INTO BUYING ITEMS AT THE PRICE AND QUALITY SELECTED BY THE STAMP COMPANY.

A.B. 314 IS AN ATTEMPT TO OFFER THIS OPTION TO THE CONSUMERS OF NEVADA.

HOWEVER, UNLESS AMENDED, THE LEGISLATION WOULD PENALIZE THE CONSUMER FOR TAKING CASH RATHER THAN STAMPS. UNDER SECTION 4 OF THIS BILL, IT IS UP TO THE TRADING STAMP COMPANY TO DETERMINE WHAT CASH VALUE THE STAMP MAY HAVE. IN SOME SIXTEEN OTHER STATES WHICH OFFER THE CASH OPTION, THE CONSUMER RECEIVES ONLY ONE MILL OF VALUE IF HE REDEEMS HIS STAMP FOR CASH. AS YOU RECALL, HE WOULD AT LEAST GET POINT.15-OF-A-CENT VALUE IF HE REDEEMED HIS STAMPS AT THE REDEMPTION CENTER FOR MERCHANDISE.

IF THE STAMP COMPANY IS ALLOWED TO DETERMINE CASH VALUE IT WILL, OF COURSE, SET IT AT A LOWER AND INEQUITABLE RATE IN ORDER TO ASSURE ITSELF OF CONTINUED REDEMPTIONS AND CONTINUED PROFITS OFF OF THE 65% MARKED-UP PRICES OF THE GOODS AND THE HALF CENT IT MAKES ON THE JOURNEY THE STAMP TAKES THROUGH THE RETAILER.

WE BELIEVE THAT THE CASH VALUE OF THE STAMP SHOULD BE DETERMINED BY ITS ACTUAL COST TO THE CONSUMER WHICH IS RELATED TO THE COST OF THE STAMP TO THE RETAILER. IF THE RETAILER IS PAYING TWO CENTS ON THE DOLLAR FOR STAMPS, THEN THE CUSTOMER OUGHT TO RECEIVE TWO CENTS ON THE DOLLAR IF HE CHOOSES NOT TO TAKE ADVANTAGE OF THIS FORCED CHANNELING OF HIS PURCHASES.

THE OTHER ALTERATION WE SUGGEST TO A.B. 314 IS THAT THE CONSUMER RECEIVE THE DISCOUNT OF CASH IN LIEU OF STAMPS AT THE RETAIL STORE RATHER THAN AT THE REDEMPTION CENTER. THIS WOULD NOT ONLY SAVE THE CONSUMER THE TROUBLE OF REDEEMING THE STAMPS AFTER A TEDIOUS JOB OF PASTING THEM IN REDEMPTION BOOKS,

BUT IT WOULD ALSO AVERT A SERVICE CHARGE; THAT THE STAMP COMPANY WOULD MOST CERTAINLY MAKE A CLAIM FOR, IN ASSESSING THE VALUE OF THE STAMP.

BY SIMPLY NOT TAKING THE STAMPS AT THE RETAIL STORE, THE ONLY IMPOSITION WILL BE THE SLIGHT TASK THE CASHIER WILL HAVE OF FIGURING THE REBATE. EVEN THEN, AS WITH SALES TAX CHARGES, THE TASK IS VERY EASY.

THE NET EFFECT OF THIS REBATE ON THE CONSUMER WILL BE NO REDUCTION IN PRICES, ~~EXCEPT~~ IN PROPORTION TO THE DECREASE IN THE RETAILERS EXPENSES IN BUYING STAMPS, ~~---~~ BUT THAT THOSE WHO TAKE STAMPS WILL BE PAYING THE ESCALATED PRICES AND RECEIVING THE REDEEMABLE VALUE OF ABOUT $1\frac{1}{2}$ CENTS IN STAMPS; WHILE THE CUSTOMER WHO ACCEPTS CASH WILL BE RECEIVING ABOUT TWO CENTS IN REAL CURRENCY.

I WOULD SUGGEST ONE LAST PROPOSAL TO BE CONSIDERED BY YOUR COMMITTEE. THAT IS, IN THE EVENT THAT THE INDUSTRY HAS CONVINCED YOU TO RETAIN THE PRESENT SYSTEM, THAT AT THE VERY LEAST YOU, AS REPRESENTATIVES OF THE PEOPLE OF NEVADA WHO ARE ALL CONSUMERS, HAVE THE OBLIGATION OF CALLING FOR A DISCLOSURE OF THE TRUE VALUE OF TRADING STAMPS.

THIS COULD BE SIMPLY ACCOMPLISHED BY REQUIRING THAT A SIGN BE POSTED AT THE POINT OF PURCHASE STATING WHAT THE COST OF THE STAMPS IS TO THE RETAILER AS COMPARED TO THEIR VALUE IN MERCHANDISE UPON REDEMPTION.

IF I MAY ANTICIPATE THE ARGUMENTS OF THE TRADING STAMP INDUSTRY THROUGH THEIR EFFECTIVE LOBBYISTS, THEY ARE THAT A CHANGE IN THE PRESENT LAWS ~~---~~ THAT IS, IMPOSING ANY LAWS AT ALL FOR THE TRADING STAMP INDUSTRY IN NEVADA ~~---~~ WOULD IMPOSE

UNDUE HARDSHIP. FORSEEING THIS ARGUMENT, I LOOKED UP
IN STANDARD AND POORS REFERENCE SOME INFORMATION ON JUST
ONE COMPANY WHICH SERVICES THE SOUTHWEST. I FOUND THAT *THE*
BLUE CHIP STAMP COMPANY, AS OF AUGUST 1969 HAD ABOUT
21,000 RETAILERS DISTRIBUTING THEIR STAMPS FOR THEM IN
OVER 23,000 RETAIL OUTLETS. AND THAT THE COMPANY MAINTAINS
83 REDEMPTION STORES WITH 1500 EMPLOYEES.

IN 1969, BLUE CHIP STAMP COMPANY SHOWED OPERATING
REVENUE OF \$108, 445, 000 (MILLION DOLLARS) AND A NET INCOME
OF OVER SIX MILLION DOLLARS. THEY SERVICED ONLY TWO STATES,
OR ABOUT 20,000,000 PEOPLE. PER CAPITA PROFIT IS MORE THAN
25 CENTS PER PERSON PER YEAR.

IN SUMMARY, I WOULD ADD ONLY THAT I OBTAINED VIRTUALLY
ALL OF *THE* ESTIMATED VALUES WHICH WERE USED FROM A COURT
CASE NOW BEFORE THE SUPREME COURT ENTITLED FEDERAL
TRADE COMMISSION VERSUS SPERRY AND HUTCHINSON.