

CONSUMER AFFAIRS COMMITTEE
PUBLIC HEARING

Tuesday, August 19, 2008
Lansdale, Pennsylvania

COMMITTEE MEMBERS PRESENT:

REPRESENTATIVE JOSEPH PRESTON, JR.,
Chairman
REPRESENTATIVE ROBERT W. GODSHALL,
Vice-Chairman
REPRESENTATIVE CHRIS KING
REPRESENTATIVE CHRIS SAINATO
REPRESENTATIVE TIM HENNESSEY
REPRESENTATIVE DOUGLAS REICHLEY
REPRESENTATIVE EDWARD STABACK

OTHERS PRESENT:

ELIZABETH A. ROSENTEL, Research Analyst
COLIN FITZSIMMONS, Legislative Analyst
GAIL DAVIS, Executive Director Consumer
Affairs Committee
JAKE SMELTZ, Committee director

HELD AT: Lansdale Borough Hall
Lansdale, Pennsylvania

REPORTED BY: SUSAN L. SINGLAR, Court
Reporter-Notary Public

CLASS ACT REPORTING AGENCY
Registered Professional Reporters

1420 Walnut Street
Suite 1200
Philadelphia, PA 19103

133-H Gaither Drive
Mt. Laurel, NJ 08054
(856) 235-5108

House of Representatives Hearing

2

1

2 TESTIFIERS:

3

4 RAY RAUANHEIMO, AARP Volunteer

5

6 JAMES BROWNING, Director of the PA Public
7 Interest Research Group

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

House of Representatives Hearing

3

1 REPRESENTATIVE PRESTON: The hour
2 of one having come and gone by, I'd like to call to
3 order of the meeting of the Consumer Affairs
4 Committee. The first order of business will be to
5 my left, to the audience's right, we'll have the
6 members introduce themselves and then we'll have
7 the appropriate staff introduce themselves, just as
8 well.

9 REPRESENTATIVE SAINATO: I'm
10 Representative Chris Sainato. I represent the 9th
11 Legislative District, which is parts of Lawrence
12 and Beaver County, western Pennsylvania.

13 REPRESENTATIVE GODSHALL:
14 Representative Robert Godshall, 53rd Distr
15 which is right here in Montgomery County

16 REPRESENTATIVE PRESTON:
17 Representative Joe Preston from Allegheny County.

18 REPRESENTATIVE KING: I'm

19 Representative Chris King from the 142nd in Bucks
20 County, just a few short miles away.

21 REPRESENTATIVE PRESTON: From my
22 left to right again.

23 MR. SEMELSKY: Jake Semelsky,
24 Committee Director for the Republican caucus.

House of Representatives Hearing

4

1 MR. FITZSIMMONS: Colin
2 Fitzsimmons, Legislative Analyst for the Republican
3 caucus.

4 MS. DAVIS: I'm Gail Davis and
5 I'm a representative from the democratic caucus.

6 MS. ROSENTEL: Good afternoon,
7 Beth Rosentel, Research Analyst with Chairman
8 Preston's office.

9 REPRESENTATIVE PRESTON: Out of
10 courtesy, if you would, please set your cell phones
11 to buzz and turn off the bells.

12 We are here today for House Bill
13 2736 and 2737, which is sponsored by my fellow
14 co-chairman, Robert Godshall. It's always been a
15 pleasure to be here, my first time in the thriving
16 district of Lansdale. Driving in I noticed an
17 awful lot of good things that are happening. We
18 have shared an awful lot of different things over
19 the last years, and I'd like to be able to thank
20 the Chairman for his support and working with
21 things, as compared to some people say, and I'd
22 like to be able to say this, too, Mr. Chairman, a
23 lot of people across this Commonwealth are saying
24 we're on vacation. And if they would only know

House of Representatives Hearing

5

1 that when we are not in session that we, as
2 members, are busier because that's the time we get
3 the chance to sit with our constituents and go to
4 the different events that happen across this State,
5 as we are doing now. And if we were in session,
6 per se, we would not be able to be here today with
7 that. And I think a lot of people need to realize
8 that these events do go on.

13 REPRESENTATIVE HENNESSEY: Good
14 afternoon. I'm sorry I'm a few minutes late. Tim
15 Hennessey from northern and western Chester County.

16 REPRESENTATIVE PRESTON: Thank
17 you very much.

18 REPRESENTATIVE HENNESSEY: Thank
19 you.

20 REPRESENTATIVE PRESTON: We're
21 happy to be here in your legislative district, and
22 with that on the Bill, Mr. Chairman, and your
23 comments, we'd appreciate if you'd give us the
24 honor.

House of Representatives Hearing

6

1 REPRESENTATIVE GODSHALL: Thank
2 you, Chairman Preston. I appreciate the Committee
3 coming in here from far away, as far as Lawrence
4 County and Allegheny County to down here in the
5 southest. And I have an interest in a bill that --
6 what we're doing here today. I'd like to -- I have
7 a few prepared remarks, and then I have some
8 remarks that I'd just like to give pertaining to
9 this legislation.

10 But I also want to thank Lansdale
11 Borough for allowing us to use their hall and the
12 town hall here. It's something that I've attended
13 numerous meetings here and I feel at home.

At this point, I'd also like to recognize Representative Doug Reichley from up in the Lehigh Valley who has just joined us.

1 According to the research done by
2 the National Retail Foundation in 2007, the United
3 States consumer spent as much as 70 billion dollars
4 on gift certificates and gift cards, 70 billion
5 dollars. Each year, especially around the holiday
6 season, members of the General Assembly receive
7 inquiries from constituent consumers in their
8 districts regarding the legality of expiration
9 dates on gift certificates and gift cards. Under
10 current law, gift certificates which are more than
11 two years past the expiration of their redemption
12 period or five years or more from the date of
13 issuance, if no redemption period is specified, to
14 be considered to be abandoned and unclaimed. At
15 that time, the retail store would have to escheat
16 the money back to the State Treasury Department.

17 This language was amended back in
18 2006 by adding a definition to the Fiscal Code to
19 provide incentives to deter businesses from
20 utilizing expiration dates or dormancy fees in
21 regard to their gift certificates. This was a move
22 in the right direction; however, retail stores
23 found a way around this by still placing expiration
24 dates and dormancy fees on their gift cards so that

1 when they do go to escheat the money back to the
2 State there's hardly anything of value at all to
3 actually escheat back because of the dormancy fees
4 that ate away at the money on their gift card. And
5 there's no regulation pertaining to those dormancy
6 fees.

House Bill 2737 amends the unfair trade practices and consumer protection law by prohibiting the following in regards to gift certificates: Selling a gift certificate that expires in a period of less than five years, charging an inactivity fee for other services.

House Bill 2736 amends the Fiscal Code by removing the definitions regarding gift certificate, gift cards and qualified gift cards from the Fiscal Code. With these definitions being removed, a person or business engaged in the retail sale of goods and services shall not have to escheat the remaining balance of any gift certificate back to the State treasurer. What we're saying is a gift card is good for up to five years. After that, if it isn't claimed, the money in total goes to the retailer.

I guess at this point I'd just

1 like to say that a few couple years back I was
2 given a gift certificate that when it first came to
3 my attention -- for \$100. I had some health
4 problems and from -- my kids gave me a gift
5 certificate and it said \$100. When I went to
6 redeem that, going to the store that it was issued,
7 I found out the value at that point was \$50, as far
8 as goods and services are concerned because of the
9 time that had lapsed from the time they bought it
10 until the time I cashed it in. And I had no idea
11 that this could happen. I argued. I didn't win.
12 And the store necessarily won.

13 All I'm saying, with what we're
14 trying to do here today, that if you get a gift
15 certificate, if somebody plunks down a \$50 bill or
16 \$100 bill at a retail establishment that you will
17 get back \$100 or \$50, whatever the amount is, in
18 goods and services that you're entitled to. And
19 the Bill says that after five years, if you don't
20 cash it in within five years, that then the money
21 goes to the retailer.

22 Right now there's no dormancy
23 fees allowed. Dormancy fee, which is an amount
24 that they can charge off on a yearly basis based on

1 whatever they choose, really, to take off for the
2 first year, or the first six months, or whatever
3 and say: We're increasing the value by maybe 20
4 bucks, after six months another 20 bucks, after
5 another year another 20 bucks, after such and such
6 a period, and pretty soon, there's nothing of value
7 left.

And really the law says, from the Attorney General's Office, the law says: Consumer protection law requires fees and material terms related to the sale of consumer goods or services be clearly disclosed to the consumer. Fraudulent or deceptive conduct by a business entity which creates the likelihood of confusion or misunderstanding for the consumer is prohibited.

Businesses offering gift certificates must honor the stated terms and conditions of the gift certificate. In other words, also, it says that clearly, that if you go to a restaurant or whatever and get a gift certificate, which I have one in my visor in my car right now, you know, it was a gift certificate that somebody purchased. They went in, put \$25 down, and that gift certificate, there was no disclosure, as far as how long that \$25 is good

House of Representatives Hearing

11

1 for. There was -- or what it can be charged down
2 to at a later date.

3 So again, all I'm saying is you
4 spend \$100 for a gift card, I give you a gift card
5 for 100 bucks, that means you get \$100 of goods and
6 services, and it's good for five years. So, Mr.
7 Chairman, that's where I'm coming from with this
8 legislation.

9 REPRESENTATIVE PRESTON: Thank
10 you very much, Mr. Chairman. I must also correct
11 myself. We're here about House Bill 2736 and House
12 Bill 2737, which you are the sponsor of. Out of
13 courtesy, what I will do is both of them deal with
14 the gift certificates and the gift cards, as you
15 have so explained. And I wanted to so note that,
16 that I had originally said 2008 and correct myself.
17 That is the year that we're in and not the bill
18 number.

19 I'd also like to state that we
20 have received comments, because they were unable to
21 have a representative here, from the State
22 Treasurer, or they will be sending comments, the
23 Pennsylvania Retailers Association, Pennsylvania
24 Restaurant Association, Pennsylvania Food Merchants

House of Representatives Hearing

12

1 and the Pennsylvania Bankers Association. And when
2 the comments are sent in, the members and staff
3 appropriately will receive those copies.

4 The first person to testify is
5 Ray, I hope I pronounce this right, let me try it
6 first, Ray Rauanheimo, who is the AARP Volunteer
7 Consumer Project Task Force. When you sit down,
8 you can correct me and give me the pronunciation of
9 your last name.

10 MR. RAUANHEIMO: I'm never really
11 too concerned about how people pronounce it. The
12 name is pronounced Rauanheimo. I will never
13 correct anyone on it.

14 I'd like to thank you very much
15 for being here, for my opportunity to be here. I'm
16 a volunteer with AARP, as you've indicated. I am
17 with the Consumer Issues Task Force. AARP is a
18 member organization for individuals over the age of
19 50 with 1.9 million members across the
20 Commonwealth.

21 Like many consumers across
22 Pennsylvania, AARP members are using gift cards and
23 gift certificates in increasing numbers. An AARP
24 Bulletin article from June indicated that credit

1 card sales are expected to top -- I'm sorry -- gift
2 card sales are expected to top 100 million dollars
3 in 2008. The article also stated that 27 percent
4 of the recipients will fail to use the gift card
5 that they receive. These facts mean that the
6 consumers are simply leaving money in drawers,
7 wallets or purses.

8 AARP members are frequent users
9 of gift cards and gift certificates. They are
10 extremely convenient to exchange with children,
11 grandchildren or friends who don't live nearby, and
12 they're also especially useful in circumstances
13 where you just don't really know what to give to
14 your grandchildren or what they might want. But
15 many times the purchasers of the cards and gift
16 certificates never know if and when they are used.
17 Of course, we can't change the behavior of
18 consumers who never use the gift cards they
19 receive, but there are many consumers who may
20 misplace their cards or forget that they have them.
21 Once they discover they have these cards or gift
22 certificates, these consumers will attempt to use
23 them, only to discover that they have expired or
24 diminished with no notice to the holder of the card

1 or the certificate.

2 AARP feels that this is unfair
3 both to the individual that has received the card
4 or certificate and the person that originally
5 purchased it. The retailer received the revenue
6 for these cards or certificates when they were
7 purchased with the understanding that they would
8 provide goods or services in exchange for these
9 revenues.

10 From the consumer's standpoint,
11 this appears to be a promise to provide these goods
12 or services, whether it is five days, five weeks,
13 five months or five years from the time of
14 purchase. In fact, the expectation would be that
15 the retailer benefits from a consumer holding a
16 gift card or certificate for a long time as the
17 retailer would earn interest on the revenues
18 already gained from the sale.

19 AARP believes that provisions of
20 the legislation drafted by Representative Godshall
21 would protect the purchasers and holders of gift
22 cards and gift certificates. We think a
23 prohibition on the expiration of gift cards or
24 certificates for five years and a prohibition of

House of Representatives Hearing

15

1 inactivity fees on these cards and certificates is
2 a reasonable approach to ensure the consumers are
3 able to buy and use them fairly. Although there
4 will be instances when consumers may have a card or
5 certificate that is more than five years old, the
6 vast majority of situations will be covered by this
7 proposed legislation.

8 AARP urges the House Consumer
9 Affairs Committee to consider this legislation when
10 the General Assembly reconvenes in September with
11 the hope that it can quickly move through the
12 legislative process. Gift cards and gift
13 certificates deserve the protection of knowing when
14 they give these items as gifts that they can be
15 used as they were intended.

16 Thank you again for this
17 opportunity to be here, and I will be glad to
18 answer any questions that I may be able to.

19 REPRESENTATIVE PRESTON: Thank
20 you very much.

21 Questions from the members?

22 Representative Sainato?

23 REPRESENTATIVE SAINATO: Thank
24 you, Mr. Chairman. Thank you, Chairman Godshall

House of Representatives Hearing

16

1 for this legislation.

2 You state in your testimony that
3 many of your seniors that you represent utilize
4 gift cards.

5 Have you run into instances where
6 they have been denied service?

7 MR. RAUANHEIMO: I don't know
8 they have been denied. I know I have had one
9 personally a few years ago. I don't know if
10 anything's changed with that where it was
11 diminished. It wasn't what I expected it to be.
12 Other than that, when I became aware that I was
13 going to be coming here, I sort of went through my
14 wallet. I had four of them in my pocket at the
15 time, and I haven't checked to see if they're valid
16 or not.

17 REPRESENTATIVE SAINATO: I think
18 it's a good point that you brought up, and Chairman
19 Godshall mentioned in his testimony when you look
20 at the fine print on some of the cards -- I get a
21 lot of gift cards. I purchase gift cards. And a
22 lot of times on that fine print on the back of the
23 card, especially a restaurant card, it will say:
24 After 24 months there will be a fee of a dollar and

1 a half if there's no activity on that card, and I
2 think a lot of people don't realize that. So you
3 want to make sure you have activity on it, but
4 still, Chairman Godshall said that you bought \$100
5 gift card, whether it's one year, two years, three,
6 I mean, the money is there.

7 And I know in your testimony you
8 brought up a point about they earn any interest on
9 that money.

10 MR. RAUANHEIMO: I would think
11 so.

12 REPRESENTATIVE SAINATO: I don't
13 see where an inactivity fee is actually necessary,
14 because if I am a retailer and you buy a \$500 gift
15 card, theoretically, that \$500 should be sitting
16 there and it would be working earning money,
17 whether that money is being used for capital
18 improvements that you now don't have to go out
19 there and buy or borrow money. And if you don't
20 want to use it for five years, that's wonderful. I
21 would say: Please, don't use my gift card for five
22 or ten years, because I'm actually making money on
23 you.

24 But these inactivity fees. I have

House of Representatives Hearing

18

1 serious problems with that, as Chairman Godshall
2 had said, because I think you're anticipating
3 that. And I think a lot of people, many of our
4 senior citizens get gift cards. Those are the
5 easiest thing to give at Christmastime or
6 birthdays, things like that, because what do you
7 get somebody who has -- a lot of times I look at
8 restaurants -- especially restaurants because that
9 gives someone a chance to go out and eat, or a
10 retailer where they can go get what they want.

11 But I have concern. I mean, the
12 paper certificates, usually they don't run out of
13 value because they're not electronic and they can't
14 do that. But a lot of times they like to put an
15 expiration date, and that's another concern of
16 mine, expiration dates. In my personal opinion,
17 there should be no expiration dates. Expiration
18 dates will cause more bad will and harm because
19 you've got to send that money back to the State
20 Treasurer.

21 REPRESENTATIVE GODSHALL: You're
22 supposed to.

23 REPRESENTATIVE SAINATO: Mr.
24 Chairman, I would say this, most businesses don't

1 realize you're supposed to send that money back to
2 the State Treasurer. And I even had a few
3 restaurants in my district one time when they had
4 expiration dates and I explained to them, I said:
5 Well, you understand by having that expiration
6 date, after that certain time you can't keep the
7 money, you have to send that to the State
8 Treasurer.

9 Needless to say, many of mine no
10 longer have expiration dates on them because
11 there's that notion out there that if we can expire
12 it, we can keep it. Most business are very honest,
13 they do their job, and they would never turn a
14 customer away. I mean, that's the worst bad will
15 if you go in with a gift certificate and they say:
16 Well, I'm sorry, sir, it's expired. You're not
17 going back, and you'd be telling a lot of your
18 members about that.

19 So I think this is legislation
20 that's time has come. I do disagree about the five
21 year thing. I told the Chairman earlier, I don't
22 think there should be any expiration because you
23 did pay for it. And someone in our positions up
24 here, I'm not home a lot. I'm all the way at the

1 other end of the State today. And I get a lot of
2 these. And there may be times, there may be a year
3 or two or three years before I go to that
4 restaurant and use it, just because I don't have
5 the time. Many people do, but I like to have
6 them. It's always good to have them and it's a
7 great gift for someone to give to me.

8 But I think this is something
9 that needs to be addressed. And I know most
10 retailers are good community people and they work
11 with their people and would never want to deny
12 someone that service. But it's that small amount
13 that's out there that does make it bad for
14 everything.

15 So thank you for your testimony
16 today. I have to say a little editorial on it, but
17 I just think this is something we need to look at.

18 MR. RAUANHEIMO: The problem you
19 pointed out is there's a difference between gift
20 cards and gift certificates. And certificates,
21 quite often, are from the smaller, more local
22 retailers, and they will indicate an expiration
23 date on it, and many times they will also put my
24 name and address on it. So when it does expire, if

1 they are really interested in keeping my business,
2 they could give me a call or drop me a note and
3 say: Do you want to use this, and you've got
4 opportunity for good relation. And many of the
5 smaller gift certificates like that, if you do take
6 it in and they're expired, they will, indeed, honor
7 it anyway. I never realized until you just
8 mentioned if they didn't, they'd have to give the
9 money to the State, they may as well give it back
10 to me. So that makes sense.

11 REPRESENTATIVE PRESTON: If
12 you're not going to use your cards, let me know.

13 Representative Hennessey?

14 REPRESENTATIVE HENNESSEY: Thank
15 you, Mr. Chairman.

16 Mr. Rauanheimo, is that it?

17 MR. RAUANHEIMO: Good enough.

18 REPRESENTATIVE HENNESSEY: Thank
19 you. You had indicated that before a gift card or
20 gift certificate should expire that the retailer
21 should notify the holder of the card. And I'm
22 going to confess, I don't know if I have ever
23 purchased a gift certificate for anybody. My wife
24 may well have done that and given it away.

1 But how does a retailer know who
2 I gave a gift certificate to? If I went in and
3 spent \$100, as Chairman Godshall had said, and I
4 gave it to either Chairman Godshall or Chairman
5 Preston or kept it myself, how does the retailer
6 know what I did with it once I walk out of that
7 store or restaurant?

8 And how could they possibly be
9 put under a legal obligation to give notice to the
10 holder of that certificate that it's about to
11 expire?

12 MR. RAUANHEIMO: Well, I don't
13 think your legislation requires giving notice. I
14 think it --

15 REPRESENTATIVE HENNESSEY: No.
16 You suggested in your testimony.

17 MR. RAUANHEIMO: When I mentioned
18 about gift certificates is if I buy a gift
19 certificate and I give it to you, when I buy it,
20 they will put my name and address on it. And then,
21 when I give it to you and you don't use it, it's
22 sort of like my giving you a check. If you don't
23 use it and you never cash it, my bank is going to
24 say: Hey, you know, you never used that. And

1 after 90 days it's gone anyway, technically. But
2 that's one of the ways that it can come back to the
3 person who purchased the certificate.

4 But I really -- I think we're out
5 of the range of what the legislation is about.

6 REPRESENTATIVE HENNESSEY: I was
7 just trying to address the practical problems
8 for -- especially a small retailer, who we try to
9 protect as best we can in this day of competition
10 from -- the mom and pops are seeing competition
11 from all kind of chain stores and much larger
12 retailers, which leads me to my next question.

13 The justification for any kind of
14 fees -- well, basically was to cover the cost of
15 having the gift card program or gift certificate
16 program in effect and keeping track of how much
17 money, say, a Boscovs or a Sears had sold in terms
18 of gift certificates they had not yet redeemed. I
19 remember hearing a couple years ago when Boscovs
20 testified that it cost them almost half a million
21 dollars to operate their gift certificate program
22 for a given year, and yet, they claim the dormancy
23 fees they picked up less than half of that amount
24 in terms of trying to offset the cost of operating

1 the program.

2 Anyway you look at it -- I always
3 think back to the old Carl Malden ads for American
4 Express. If you come home and you have a \$100 or
5 \$200 check left in your wallet, just keep it
6 there. And I thought that was really smart for
7 American Express, because they had your money and
8 you had this piece of paper that they promised to
9 pay that money to you sometime in the future. I
10 don't think there ever was an expiration date on
11 that. I don't remember Carl Malden ever telling us
12 that there was some period of time you lose the
13 value of that certificate in your wallet. But it
14 seemed to me that -- what I refer to as the float,
15 American Express had probably hundreds of millions
16 of dollars from people who walked around with this
17 piece of paper in their pocket for which they had
18 given American Express good hard cash a year or two
19 or three years ago.

20 However we deal with it -- it
21 seems to me that small mom and pop stores, the
22 small restaurant owners should be treated
23 substantially differently than the Sears and the
24 Macy's and the Olive Garden food chains and the

1 Bennigans, and large retailers like that who really
2 have the ability to have the computer accounting
3 programs and stuff that would keep track of all
4 this stuff, whereas the small retailers don't.

5 Does AARP have a position, as far
6 as trying to draw a line, and if so, where would
7 you draw the line in terms of -- how would you
8 distinguish between a small business and a medium
9 or large-sized business?

10 Gross value of sales?

11 MR. RAUANHEIMO: I can't respond
12 from AARP's standpoint because I don't know that
13 specific thing. But my experience in business and
14 my experience with National Cash Register and IBM
15 in the business of maintaining those machines, it
16 isn't very difficult for a mom and pop store to
17 keep track of the limited amount of gift
18 certificates they have. And many of the stores
19 that we think of of that type are using accounting
20 procedures like Quickbooks and so forth right now,
21 so it really is just sort of like you or me having
22 money in our checkbook. It's just every month we
23 have to look and see, okay, here's a \$50 check that
24 Jack didn't cash. We just leave it there and we

House of Representatives Hearing

26

1 don't worry about it, and then when they cash it,
2 it comes out. I didn't think it would be a
3 problem, but that's a layman's point of view and
4 not a mom and pop business.

5 REPRESENTATIVE HENNESSEY: If you
6 worked for National Cash Register, do you have any
7 contact at all with the larger stores? Boscovs
8 testified before our committee, I don't know if it
9 was this Committee or another one, a couple years
10 ago that it cost them half a million bucks a year.

11 MR. RAUANHEIMO: When you
12 mentioned that, I found that interesting. I find
13 it hard to understand, except as you mention, that
14 I was thinking, when you talk about gift procedures
15 in a place like Macy's or something like that,
16 you're also talking about where they have gift
17 registries, where they have computers set up and
18 printers just to print out a gift registry.

19 REPRESENTATIVE HENNESSEY: Like a
20 bridal registry?

21 MR. RAUANHEIMO: So we're talking
22 about a lot of hardware that may be actually
23 involved and could be expensive. But from the
24 standpoint of accounting, I didn't think this would

House of Representatives Hearing

27

1 be very much.

2 REPRESENTATIVE HENNESSEY: Thank
3 you, Mr. Chairman.

4 REPRESENTATIVE PRESTON:

5 Representative Reichley?

6 REPRESENTATIVE REICHLEY: Thank
7 you, Mr. Chairman, just a couple of quick
8 questions.

I guess following up on Representative Hennessey's point, while I am supportive of Representative Godshall's concept here about placing a finite time period by which point the cards could not charge you the assessment fees and they'd have to be returned, I'm just curious, for an uniformed application for both the smaller businesses that Representative Hennessey was just referring to, as well as the larger national chains, is there anymore advisability by just passing a requirement that there has to be notice placed clearly and visibly on the front of the gift certificate or on the gift card to say: This card is losing 10 percent of its value within ten months or a year, or you have an expiration date of such and such a time?

1 Is there any greater facility
2 that -- for the consumer so that you are
3 essentially put on notice, if you don't use it,
4 you're going to lose it?

5 MR. RAUANHEIMO: I'm reminded of
6 the fine print that I get every now and then from
7 my credit card company that's five or six pages
8 long and it says: Here's the changes in the terms.
9 Until something happens where they will put
10 user-friendly readability into that type of fine
11 print, I don't think the back of my gift card is
12 going to be really -- get read very well because
13 it's such small print. And I don't think we're
14 aware of it. And so it may be an education
15 process, and this is part of what we do with AARP
16 in the Consumer Issues Task Force.

17 The event we had out in
18 Monroeville recently is purely education. It's
19 reaching out and it's trying to educate as many
20 seniors as we can get through the door that we have
21 to watch out for ourselves. And that's what we try
22 to do to counteract the human nature, which says:
23 No one's going to hurt me. But some are out there
24 hurting us.

House of Representatives Hearing

29

1 REPRESENTATIVE REICHLEY: I
2 agree. Just sitting here listening to the
3 testimony so far, my kids must have two or three
4 gift cards from some large national chains, and I'm
5 curious about whether they're sitting there losing
6 value right now that they have accumulated over the
7 last couple Christmases.

8 Do have you any knowledge about
9 such a prohibition on the assessment fees or any
10 other kind of regulation on the gift cards in any
11 other states?

12 MR. RAUANHEIMO: No. I did a
13 little research, but it became pretty extensive. I
14 would have had to have spent a lot more time
15 than I'd be able to. But I know other states have
16 addressed this, definitely. One I looked at and
17 came to mind, I think there were five states listed
18 that had addressed this issue seriously, but that
19 was dated 2006. I expect there's probably more
20 since then.

21 REPRESENTATIVE REICHLEY: Thank
22 you.

23 REPRESENTATIVE PRESTON: Chairman
24 Godshall?

1 REPRESENTATIVE GODSHALL: I would
2 like to respond to Representative Reichley's
3 comments about other states. This Bill and this
4 legislation was modeled after a recently passed
5 Michigan statute, which was put in place, really,
6 within the last couple of months. And the real
7 problem, I guess as I see it, according to the
8 Attorney General, consumer protection law requires
9 fees and material terms related to the sale of the
10 consumer goods and services to be clearly disclosed
11 to the consumer. So I buy a gift certificate, and
12 in my case, I have seen a lot of restaurant gift
13 certificates. There is no name and address. Maybe
14 on the ones that I've seen. It's just Family
15 Heritage Restaurant, \$25 gift certificate, period.
16 That's what I see. But when I buy that gift
17 certificate, even anybody here, I defy them to say
18 that the person at the cash register, which is
19 usually a person that's been hired to run the cash
20 register, basically, knows what the material terms
21 relating to the sale of consumer goods and services
22 to disclose to the customer. And even then, if you
23 disclose it to me, if that person is able to, and I
24 give it to my neighbor, who doesn't have that

1 information that I might have received, but I don't
2 think I ever have.

3 And as far as on the back of the
4 gift certificates that they're small. There's a
5 limited amount of information you can put on. So
6 it's just something that I think we have lived with
7 for a long time. And again, if I say, I just think
8 you spend \$50 or \$100 for a gift certificate and
9 put that money down in cash, you should be able to
10 get that back in goods and services in a reasonable
11 amount of time.

12 And I really think for the mom
13 and pop, which was a question here, after a certain
14 period of time, I'm not married to the 50 years.
15 Five years was Michigan. They just did that in
16 five years. But I'm not married to any length of
17 time. But the total money comes back to the mom
18 and pop, or whoever the seller of that gift card
19 is. He gets the money back in total, if that is in
20 cash and in a period of time under this
21 legislation. So the only way that you can diminish
22 that is with those dormancy fees, and then you also
23 can diminish the money you transfer to the State.

24 I'd just like to say that in

1 fiscal '07 and '08 there was monies that went to
2 the State was \$459,000 was came back in escheat
3 fees to the State, and currently there's 8.8
4 million dollars available in that account, which
5 eventually goes over to the general fund to the
6 State of Pennsylvania. And I really think instead
7 of going to the State of Pennsylvania it should go
8 back to the people that paid for that gift
9 certificate.

10 And I made another -- you had
11 mentioned 100 billion dollars in the sale of these
12 gift certificates, as you expect, and gift cards
13 this year. The float on 100 billion dollars is a
14 heck of a lot of money on a daily basis. So
15 they're just comments that I would make, Chairman
16 Preston.

17 REPRESENTATIVE PRESTON: I don't
18 know if it's still true or not, but several years
19 ago I had more registered voters over the age of 62
20 than any other legislative district in the State.
21 And at the same time, in dealing with an awful lot
22 of seniors, depending on the income, they buy
23 several gift certificates, whether it's for
24 grandchildren, they buy one lump sum when they have

1 extra income available. And sometime they will
2 keep them for a year or two as kids graduate,
3 whether it's from high school, or they're going
4 away to college, so normally, away from just the
5 normal weddings that they use them for.

6 And I'd like to think, and I was
7 just looking at this, Chairman Godshall, when you
8 look at the dollar bill, it just reads: This note
9 is legal tender for all debts public and private.
10 And I think a lot of us like to think a dollar
11 should be worth a dollar. I'm not going to get
12 into the argument of what's happening across the
13 world, but if you have a dollar here, you expect
14 the dollar to be -- when present it to someone, the
15 same thing with the gift card.

16 If you go -- and there's a couple
17 of restaurants in my area in Allegheny County. If
18 someone went with \$100 gift certificate and they
19 said: Well, this is only worth \$75, and that's
20 what you mean by a dollar should be worth a dollar,
21 and that's something I think that we want to be
22 able to try to arrange because it's not just the
23 consumers, it's the people who also give them who
24 are expecting that dollar and that value to hold.

1 I will understand somewhat when
2 some of the businesses, and especially the chains,
3 and this goes to some of Representative Reichley
4 and Representative Hennessey was reaching, we do
5 have a slight problem as businesses are bought up,
6 for example, that when you have Federated Investors
7 and we have lost Gimble's out our way, Kauffman's,
8 and I guess Macy's is also owned by the Federated
9 Investors. But these different people in different
10 sections, when they merge, that's also part of the
11 situation when they bought these things and it's
12 carried over. And if all of the records are turned
13 in or not, because you have an awful lot of stores,
14 Montgomery Wards are still there in some areas and
15 a lot of areas they're not. But they have been
16 merged, and who really kept the records, and were
17 they all really there before they had the debit
18 cards?

19 So I think that's something that
20 has to eventually work out, and there should be
21 some form of time line. And I think we really need
22 to respect that. I don't know if you had any last
23 comments, and I'd appreciate it.

24 MR. RAUANHEIMO: I think we have

House of Representatives Hearing

35

1 pretty well covered it. I don't know if there's
2 another solution, but there are bank cards. And if
3 I go to a Wawa and I buy a Wawa card for \$10, I can
4 use half of it and I will have \$5 in my pocket for
5 a long time. I can also go in and give them
6 another 20 and have them add to it. Rechargeable
7 card system is something else that's involved. I
8 don't know how this legislation affects that.

9 But I have no other comments.

10 REPRESENTATIVE PRESTON: I really
11 want to thank you, and I appreciate the comments we
12 had before that. I really appreciate all of the
13 hard work that you and your volunteers are dealing
14 with at AARP, and work along with Chairman
15 Godshall. We appreciate your giving your comments,
16 just as well, and we will try to do the best we
17 can.

18 MR. RAUANHEIMO: I thank you all.

19 REPRESENTATIVE PRESTON: Next we
20 have James Browning, who is the Director of the
21 Pennsylvania Public Interest Research Group, better
22 known as PennPIRG. I'd like to welcome you, as
23 you're sitting there, and I'd appreciate if you
24 could introduce yourself.

1 MR. BROWNING: Thank you very
2 much, Chairman Preston, Chairman Godshall, members
3 of the Committee. I'm James Browning, the Director
4 of the Pennsylvania Public Interest Research Group
5 or PennPIRG. We are a nonprofit, non-partisan
6 consumer advocacy group and we have worked on this
7 issue in the past in Pennsylvania, as well as
8 through our chapters across the country.

9 I'd offer my testimony in two
10 parts, first on the extent of the problem with
11 dormancy and other fees, and I will briefly cite a
12 couple of studies on that issue. One from
13 Maryland's Montgomery County Division of Consumer
14 Affairs found the many gift cards are so loaded
15 with fees that they should be called, quote, gifts
16 that keep on taking. The bank issue gift cards are
17 by far the worst offenders. All four of the bank
18 gift cards examined by that agency included a high
19 fee for simply purchasing the card, ranging from
20 3.95 to 11.95, as well as a monthly maintenance fee
21 of 1.25 to 4.95, as well as fees for replacing lost
22 cards. Several retail gift cards also imposed
23 fees. Approximately 33 percent of 30 retail gift
24 cards examined in the survey charged inactivity or

1 dormancy fees range from \$1 to 210 per month if the
2 card remained unused after a period of time ranging
3 from one to two years.

4 Now, another aspect of the gift
5 card phenomenon is what happens when people do get
6 in the stores, and here's where this has been a
7 real boon for retailers and how much spending goes
8 on. Gift cards are good business for retailers.
9 Consumers are less likely to return merchandise
10 they choose for themselves and cards bring
11 consumers into a store they might not otherwise not
12 visit. Consumers end up spending more money than
13 they would otherwise. Specifically, research
14 conducted by Valuelink, a company that creates and
15 distributes gift cards for major retailers reveals
16 that 56 percent of consumers spend more than the
17 initial value of the card upon their visit to the
18 store.

19 Now, it has come up already in
20 this hearing, the convenience of these cards, what
21 a huge part of the economy this is becoming. But
22 interesting, one of the ironies about this
23 convenience argument is it's very easy for someone
24 to get this card. A lot of these cards are

1 redeemable only in the store, nonredeemable
2 on-line, where people increasingly do their
3 shopping. And so, these two trends converging more
4 and more of these cards, you have people can't shop
5 on-line, maybe the way they'd like to. This
6 explains why these cards are going to keep piling
7 up. And when you think about expiration dates, the
8 effect of this in the future, we're really just at
9 the beginning of a huge trend.

10 I mean, it's amazing, working on
11 other consumer issues for PennPIRG, how many parts
12 of our economy are now functioning in this manner,
13 and it's not just gifts. You may have heard
14 medical gift cards. There's some really big sums.
15 You have a lot of money stored on these cards. So
16 for PennPIRG, the Bill that comes out of this
17 Committee, the precedence it will set, it's going
18 to have, really, implications for other kinds of
19 cards, too, not just to, say, Boscovs.

20 Now, on a potential remedy, we
21 would argue very strongly that the best protection
22 for the consumers with money stored on these cards
23 is simply to have no expiration dates. A dollar
24 should be a dollar in perpetuity. And the

1 company -- this is a great idea the company has
2 had. Consumers love it and they are already
3 enjoying the benefits from having that money in
4 advance and using it for collecting interest on
5 money. So from their standpoint, there are already
6 enough advantages that we feel the consumer should
7 not in any way be disadvantaged in trying to hold
8 onto this money and trying to retain that value.
9 And obviously, for us, this would be the preferable
10 solution when we ask should it be escheated back to
11 the State or should the money go back to the
12 purchaser or the retailer. We would simply urge
13 that the value of those cards be protected
14 permanently.

15 I'm happy to take any questions.

16 CHAIRMAN PRESTON: Questions?

17 Representative Hennessey?

18 REPRESENTATIVE HENNESSEY: Thank
19 you, Mr. Browning. The previous testifier, Mr.
20 Rauanheimo, testified that 27 percent of gift card
21 sales eventually go unclaimed. That strikes me,
22 and I said to Representative Sainato a few minutes
23 ago, that we should be in the business of selling
24 gifts, because a 27 percent return is a lot better

1 than most retailers make. I'm led to believe a
2 chain store, like Sears or Boscovs, might make
3 three, four, five, six percent, nothing like a 27
4 percent return on cards.

5 First of all, do you think that's
6 a fair and accurate estimate of what is going on?

7 MR. BROWNING: To be honest, it's
8 like asking the question how many pennies and
9 nickles are in peoples' drawers out there. We
10 can't know that for sure, but what we do know is a
11 lot of establishments, a restaurant, a place
12 someone might not usually go and they have their
13 \$50, their \$100, there's a strong desire, and we
14 hear this from our members, they don't want to go
15 over that amount. They're not going to spend extra
16 money on a fancy dinner they might not have
17 otherwise, so the remainder is going to sit there.
18 They're certainly not going to out for a second
19 fancy dinner and spend \$50 in cash to use the \$10
20 they have sitting on the card.

21 So I do think a fair assessment
22 is to say that all of that unspent value is piling
23 up and isn't getting used, and that's a drag on
24 consumers and a drag on the economy.

House of Representatives Hearing

41

1 REPRESENTATIVE HENNESSEY: Well,
2 why is it a drag on -- I was with you until you got
3 to the end. You said it was a drag on the
4 economy. The retailer already got the money. The
5 consumer has chosen not to use it.

6 What is the drag? I mean, the
7 retailer -- or the consumer sits around with \$10 in
8 his wallet and decides not to spend it, and we
9 don't consider that to be a drag on the economy.

10 MR. BROWNING: Well, if they're
11 able to keep that value for as long as they want,
12 then there's no drag, I guess is what I'm saying.

13 REPRESENTATIVE HENNESSEY: I was
14 just trying to see if there was widespread
15 agreement with the idea of the 25 percent or more
16 of these cards go unclaimed. The information I get
17 from AARP is always pretty much on the money, but I
18 didn't know if PennPIRG also agreed with that
19 figure.

20 What about the question I asked
21 Mr. Rauanheimo about the amount of money that
22 retailers actually spend trying to maintain an
23 accounting program for the gift card registry or
24 just for the fact that they issue gift cards?

1 Is that figure fair, and do you
2 think that a retailer like Boscovs or Sears or
3 Macys might actually spend and cost themselves half
4 a million dollars a year just to provide that
5 service to consumers?

6 MR. BROWNING: I would be very
7 interested if they would share all of that
8 information with us and the Committee exactly how
9 cost-effective those programs are and what they
10 need to make them effective, both to themselves and
11 consumers. But that's undeniable, for them having
12 that money up front creates many opportunities for
13 them for investment and for paying the program.

14 REPRESENTATIVE HENNESSEY: So
15 would you agree that whatever we do here, we should
16 be looking to make some distinction between the mom
17 and pop stores that issue gift certificates locally
18 and big chains that probably can afford to take any
19 loses that might be involved in operating the
20 program a whole lot better than the local
21 businesses?

22 MR. BROWNING: Well, I mean, our
23 solution would apply equally to whether it's a
24 chain or just a small single establishment, that of

House of Representatives Hearing

43

1 having the value still be redeemable in perpetuity.

2 REPRESENTATIVE HENNESSEY:

3 Basically, your suggestion is simply eliminate or
4 make it illegal to have an expiration date on a
5 gift certificate?

6 MR. BROWNING: Yes.

7 REPRESENTATIVE HENNESSEY: I
8 would tend to agree with you. It seems to me if I
9 go to a restaurant and they say we won't honor the
0 \$50 gift certificate somebody had already paid them
1 \$50 for, I won't go back to that restaurant
2 anymore, so they will lose the business. And I
3 think probably given the -- faced with that kind of
4 situation, most local businesses would say: We'd
5 rather have your continued patronage, so yes, we'll
6 honor the card, even if it had a stated expiration
7 date. That's just good practical business sense, I
8 think.

19 How many retailers simply provide
20 a hard and fast rule and follow a hard and fast
21 rule with after a couple years you get nothing for
22 your card?

House of Representatives Hearing

44

1 them?

2 MR. BROWNING: I don't know, but
3 the example that was brought up of whose
4 responsibility is it to tell the customer about
5 their rights and fees and replacing, let's say,
6 just a burden on someone's whose job is just to
7 work the cash register, then you're setting up a
8 very hard situation for everyone, which I think is
9 another reason for just keeping it as simple as
10 possible.

11 REPRESENTATIVE HENNESSEY: Thank
12 you for your suggestions. Thank you, Mr. Chairman.

REPRESENTATIVE PRESTON:

14 Representative Sainato?

15 REPRESENTATIVE SAINATO: Thank
16 you, Mr. Chairman. I will follow-up with
17 Representative Hennessey.

18 You made a statement where you
19 said that most people get a gift card, it's \$50,
20 and they go to the restaurant and spend 40, that
21 they don't want to come back.

1 card because then you're going to go spend 50,
2 chances are, and take money out of your pocket,
3 besides just using the gift card. And if you have
4 \$10 back -- I mean, I don't know which area you're
5 from, but where I'm from, most people, if they have
6 a \$10 card in their pocket, they use it or they
7 will come back just to get their \$10. And so I
8 think it's a win for the establishment, because if
9 you spend more, you're getting new cash flowing
10 into the business. If you spend less, chances are
11 they're going to come back again for a second visit
12 to take money out of their pocket.

13 And also, I think with a gift
14 card, it gives people an opportunity to go to a
15 restaurant or business they may not normally go.
16 If Chairman Preston gave me a gift card for an
17 establishment in his district in Pittsburgh, chances
18 are I probably wouldn't be going. I probably would
19 go there -- I mean, that's a visit to someplace you
20 wouldn't go. I mean, gift cards are great things
21 for the businesses that are out there.

22 MR. BROWNING: The example I
23 wanted to point out in another way in which the
24 current system is good for retailers and sort of a

1 friendly way with their customers, but
2 inadvertently friendly way, is if I give a gift
3 card for a restaurant for my friend on the other
4 side of the State and I paid 50 bucks, the company
5 spends 40 bucks, he may never get a chance to
6 redeem that other \$10.

7 REPRESENTATIVE SAINATO: I
8 understand what you're saying. I'm just trying to
9 rationalize. Where I'm at, people like to get,
10 give cards and they like to spend it, and there's
11 that scenario. I have a lot of senior citizens in
12 my district, as well. They buy gift cards and they
13 do give them to their grandchildren. They give out
14 as gifts, and some may just keep it for a while
15 because they wait for the next birthday or
16 something to that effect. And I think when you're
17 getting to that expiration, that's a problem.

18 And a lot of people out there
19 don't know about the process. You have people that
20 say: Oh, it's expired, I lost, as compared to
21 understanding that that money had to go back to the
22 State and you're still entitled to it. I mean,
23 that's another issue, altogether. But the people
24 don't understand how the process actually works. I

House of Representatives Hearing

47

1 mean, I think the easiest solution is just don't
2 have an expiration date.

3 Thank you, Mr. Chairman.

4 REPRESENTATIVE PRESTON:

5 Representative King?

6 REPRESENTATIVE KING: Thank you,
7 Mr. Chairman.

8 And I don't know if this is
9 necessarily a question for you, Mr. Browning, but
10 just to clarify, I guess for my own knowledge, if
11 you get a gift card at a bookstore, whatnot, it's
12 electronic. But a lot of restaurants, or mom and
13 pop kind of shops, a lot of times you will get kind
14 of a paper gift card.

15 If you have a paper gift card,
16 would I be right in saying those almost never have
17 a dormancy fee or those types of fees?

18 Is that accurate?

19 Does anybody know? I'm just
20 curious.

21 REPRESENTATIVE PRESTON: What has
22 happened from time to time individual
23 establishments have set a certain criteria that in
24 a certain amount of time they may tell you, and

1 it's arbitrary, there's no real written formula in
2 a lot of different cases that happen to thousands
3 of people in the Commonwealth of Pennsylvania. So
4 it's not about what type of gift certificate it is,
5 per se, relative to that. There's no written rule,
6 like I gave you the example about the one
7 restaurant I went to in the City of Pittsburgh
8 where because it was so old, it was over a year old
9 and they took away, I think eight or nine percent.

10 REPRESENTATIVE GODSHALL: If I
11 could respond to that, also. Just recently a new
12 restaurant that opened up in this area here and I
13 received a \$25.00 to come gift certificate and I
14 gave it to my granddaughter who was very upset when
15 she went and she was told this gift certificate was
16 only good for the month that they considered their
17 grand opening. And she was -- when she handed them
18 the gift certificate at the end of the night, they
19 said: This is no longer any good, but that wasn't
20 on the gift certificate. It just depends on what
21 the regulations are of an individual establishment.

22 .

23 REPRESENTATIVE KING: I guess my
24 question kind of went to what Mr. Reichley and Mr.

1 Hennessey were saying, whether or not the mom and
2 pop versus the big stores, if there needs to be two
3 different regulations. But I guess kind of from
4 what both Chairmen are saying, it's really not
5 about that. There's really no set regulations, so
6 I'm just curious.

9 REPRESENTATIVE PRESTON: Chairman
10 Godshall?

11 REPRESENTATIVE GODSHALL: Well,
12 in conclusion, I think it's something that we
13 really should look at. As I said, Michigan just
14 did the same thing. Other states have followed
15 suit or have been predecesors to what Michigan
16 did. And you're looking at 100 billion dollar
17 industry with little or no regulation. It's a lot
18 of money that's out there, and people spend that
19 hundred billion dollars and expecting 100 billion
20 dollars of goods and services coming back. And if
21 it is 26 or 27 percent that never comes back,
22 that's 26 or 27 billion dollars that goes into the
23 seller's pocket of those gift cards. And I don't
24 know how anybody can complain that it's costing

1 them more than it's worth when you have those kinds
2 of figures thrown at you.

3 And the other thing is without
4 that date on there, the money goes to the seller in
5 total without any obligation to escheat it back to
6 the State of Pennsylvania, which ultimately goes
7 into the General Fund and not to the purchaser. So
8 I use gift cards, I guess extensively, with
9 grandkids in California and Atlanta and in Arizona,
10 and I really expect, when I spent that money, that
11 there's going to be a like exchange for goods and
12 services, and in many cases, there isn't. A lot of
13 cases there is. In Canada there are.

14 But I think it deserves to take a
15 look, and it is something we should take a look at
16 closely and hopefully maybe be willing to work with
17 you people in putting something together that we
18 all can live with. And it doesn't have to be a
19 one-way street, but I'm not sure how a gift card
20 where you don't have to keep any records at all, as
21 far as mom and pop stores or anybody else, the
22 money is yours after a certain date or whatever
23 that we arrived at.

24 But I thank you also for coming

House of Representatives Hearing

51

1 in here today. And I really wanted to bring -- the
2 purpose of the hearing was to bring to the
3 attention of the public that we do have an industry
4 out there that's being used more and more and
5 heavily every year, and I, again, am concerned that
6 we get the money and the goods and services coming
7 back with what we spend, and basically, that's it.

8 And I thank the Chairman. I
9 thank the Committee members, and I thank you for
10 your participation.

11 REPRESENTATIVE PRESTON: Mr.
12 Sainato?

13 REPRESENTATIVE SAINATO: Thank
14 you. Chairman Godshall reminded me of something.
15 I reached in my wallet and I pulled out a gift
16 card. And this one is actually from a restaurant
17 that does business in multiple states. And this is
18 the kind -- we'll go back to what Representative
19 King said. The paper card really can't charge
20 dormancy fees because it's paper. That's where a
21 restaurant says: We have a policy, but it would
22 not be on the paper.

23 But these things here can because
24 these are run by computers and the very fine print

1 on the back of it, it says that after 24 months of
2 non-use, a service charge of \$1.50 per month will
3 be deducted from the remaining balance of this
4 card, except in states where prohibited by law.

5 And I want to bring out that last except in states
6 where prohibited by law. So this business right
7 here, who is doing business probably in about six
8 or seven states, is pretty much saying: Okay.

9 We're going to do it in Pennsylvania, but we're not
10 going to do it in New York because they don't allow
11 us to do it.

12 So I just think that's an
13 interesting point, because they're doing fine, and
14 I'm pretty sure New York passed a law that
15 prohibited this. It's fine for New York.

16 What's wrong with Pennsylvania?

17 And reading from the gentleman from AARP in his
18 testimony stated about, I think, Sears and a couple
19 other retailers stopped doing that because you have
20 some states where it's illegal to do that, other
21 states can do that.

22 So your customer is a customer.

23 The Pennsylvania customer should be treated the
24 same as a customer in New York or California. And

1 I commend Sears and the retailers that are doing
2 that, and then you have those that are saying after
3 -- I have one, and I won't mention the name, that
4 actually says on the back of the card: After 24
5 months, this card expires. It doesn't tell you
6 it's going to take a dollar and a half a month. It
7 actually says it expires. And I have a real
8 problem with that, especially if it was \$100 card.

9 So I think this legislation is
10 something we definitely have to have more
11 conversation on, and I think we need to look at
12 this. But I just thought it was interesting,
13 except in states it's prohibited. So they must be
14 doing okay in those states.

15 MR. BROWNING: If I may, if a
16 company's goal is to get a certain amount from
17 these fees in all the states in which it does
18 business, and it's getting zero from several of
19 those states, it raises pressure to allow fees in
20 states they allow that.

21 REPRESENTATIVE PRESTON: I will
22 raise this before we close, and it's very
23 interesting. Let's all think about it. I don't
24 know of any restaurant that any of us would go

1 into, sit down, or any clothing store, primarily
2 with the same product, and let's say three years
3 ago it sold for a dollar, I don't think that you
4 could buy that same product for a dollar. If
5 anything, it might be \$1.10, or \$1.30, or even up
6 to \$2. So if someone is getting a gift certificate
7 for a dollar three years from now and what they're
8 saying there's a give and take a little bit, you're
9 going to penalize someone and make it worth less,
10 but in a sense, if you're going to buy something
11 that was a dollar three years ago and you have a
12 gift certificate for a dollar, you're going to wind
13 up paying the difference out of your pocket.
14 That's another variable that I think we need to
15 look at, whether it's \$100 for a meal or \$100 for a
16 suit, and that suit now is \$125, then that retailer
17 is still going to get a fair market price. And
18 then for him to even think about they could even
19 discount that card later by saying it's only worth
20 \$90, that's another variable that, Chairman
21 Godshall, we need to look at. And you made a valid
22 point relative to the same card, if it's two years
23 later, that \$30 is no longer same price.
24 With that, and also for the

House of Representatives Hearing

55

1 record, I'd like to state I received a letter from
2 the Commonwealth of Pennsylvania, Office of
3 Attorney General, I'm not going to read the whole
4 letter. It's dated August the 19th. It is
5 addressed to me, as chairman of the House Consumer
6 Affairs Committee. I will just read the first and
7 last paragraph.

8 Dear Representative Preston,
9 thank you for your invitation to testify at the
10 public hearing scheduled for August the 19th to
11 consider Representative Godshall's proposed gift
12 card legislation. Please accept this letter in
13 lieu of formal testimony in the hearing of
14 Lansdale, Pennsylvania.

15 I will be pleased to work with
16 you and Representative Godshall should the
17 Committee decide to go forward with the proposed
18 gift card legislation. Thank you for providing the
19 opportunity to comment on these proposals. The
20 letter, itself, will be submitted in full for the
21 record, and a copy has been distributed to the
22 members here, but will be distributed also to those
23 members who are not present.

24 That being said, I'd also like to

1 thank you very much for your participation and your
2 organization, as well as AARP and the consumer, the
3 information you provided for us, not just advocacy,
4 but from a consumer standpoint, and you represented
5 an awful lot of people who may not have the loud
6 voice that you've helped provide that loud voice on
7 an awful lot of consumer issues involved with cable
8 TV, or some of the other consumer issues, or the
9 environment. We want to comment on you and AARP.

10 With that being said, closing
11 from Representative Godshall?

12 REPRESENTATIVE GODSHALL: I just
13 want to mention that we did invite the retailers,
14 also, and I'm disappointed that they chose not to
15 be here. And there were a number of you, as
16 Chairman Preston mentioned earlier, people who did
17 respond with letters. But at the same time, I am
18 disappointed, as I said the retailers. We're
19 willing to work with people, but they have to -- we
20 have to -- if they don't show up, it's difficult.

21 REPRESENTATIVE PRESTON: I will
22 say this. Mr. Wright is president of the Retailers
23 Association. He is not in the State of
24 Pennsylvania at this particular time, but he sent

House of Representatives Hearing

57

1 his regrets that he was not able to personally
2 come, and I am making sure, and I think you know me
3 very well, it will be perfectly clear he will be
4 talking to you very directly. And I wanted to be
5 able to say that on behalf of the Retailers
6 Association.

7 Are there any other comments
8 relative to this? Thank you very much for those
9 who attended and for the members and the staff who
10 participated in Representative Godshall's Bill. I
11 have always enjoyed myself here in Lansdale and I
12 look forward to seeing you 7:30 tomorrow morning,
13 for those of you able to attend, as we go to tour
14 the Limerick, as we have with the Consumer Affairs
15 Committee.

16 That, in closing, we are so
17 adjourned.

18
19 ---

20
21 (Whereupon, the hearing was
22 adjourned.)

23
24 ---

House of Representatives Hearing

58

1 C E R T I F I C A T E

2

3 STATE OF PENNSYLVANIA

4 COUNTY OF BUCKS

5

6 I, SUSAN L. SINGLAR, a Court
7 Reporter and Notary Public in and for the State of
8 Pennsylvania, do hereby certify that the foregoing
9 transcript of the public hearing of the Consumer
10 Affairs Committee, taken on Tuesday, August 19,
11 2008 is true and accurate to the best of my
12 knowledge, skill and ability.

13

14

15 SUSAN L. SINGLAR

16

17

18

19

20 (The foregoing certification of
21 this transcript does not apply to any reproduction
22 of the same by any means, unless under the direct
23 control and/or supervision of the certifying
24 reporter.)