Division of Consumer Affairs

News Release

FOR IMMEDIATE RELEASE

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TENNESSEE, FIVE OTHER STATES NEGOTIATE $170,000 MULTI-STATE SETTLEMENT OVER TELEPHONE SLAMMING

If you recently entered a sweepstakes only to find you had your long distance telephone service unwittingly changed, you may be entitled to a refund as part of a $170,000 multi-state settlement announced today between the Tennessee Attorney General's Office, Tennessee Division of Consumer Affairs and WinStar Gateway Network, Inc. (WGN).

WGN, a Texas-based company which buys long distance service and resells it at a profit, is alleged to have offered consumers a chance to win cash prizes through WGN's agent TropicTel, then used information provided on their sweepstakes entry form to switch their long distance telephone service. The sweepstakes chances were promoted during most of 1996 through a box offering sign-up, usually found in grocery or convenience stores. The consumers, in most cases, paid higher long distance rates than they would have under their previous long distance service and were charged switching fees.

The practice known as 'slamming' is illegal in Tennessee. State officials have expressed concern that some companies may attempt to lure new customers by tricking them into giving information about themselves and their long distance service. From there, it is a simple task to switch the customer's service. Many consumers do not realize they've been switched until they receive their monthly bill.

"One sure and simple defense against this practice is to ask your telephone company to 'freeze' your long distance service," said Mark Williams, director of the Tennessee Division of Consumer Affairs.

Williams noted that Bell South, which serves about 80 percent of Tennessee's telephone customers, offers the service at no charge as do other local service providers. "Consumers should call and ask their telephone service providers if they offer this service and follow through by requesting a freeze on their service."

The Attorney General's Office and Division of Consumer Affairs began investigating shortly after consumers complained of "slamming" to the Tennessee Regulatory Authority. State officials estimate approximately 30 people in Tennessee filed complaints.

The State alleges WGN violated the sweepstakes law by misleading consumers into thinking they were merely entering a sweepstakes rather than changing their long distance service, the Tennessee Prize, Gift and Award Law, which mandates all conditions and restrictions associated with a prize be clearly disclosed, and engaged in a number of unfair, deceptive practices.

WGN has cooperated with the five states to resolve their investigation, and has agreed to pay $170,000 to Tennessee, Texas, Illinois, Idaho, New Jersey and Wisconsin. Tennessee's share is $30,000, which will go toward the cost of the investigation, attorneys' fees and the general fund.

In addition, WGN will be required to reimburse any consumer that complains in writing to the Tennessee Regulatory Authority, Tennessee Division of Consumer Affairs, any federal agency or the Better Business Bureau within 120 days. You can write to the TRA Consumer Services Division at 460 James Robertson Parkway, Nashville, TN, 37243, and the Tennessee Division of Consumer Affairs at 500 James Robertson Parkway, Fifth Floor, Nashville, TN, 37243. Consumers are entitled to all switching fees, any monthly recurring fees, re-rating if the long distance calls exceed the rates of consumers' previous service provider.

WGN has agreed in the future not to switch anyone's long distance service without their express authorization and must clearly disclose to any consumer accepting WGN's service all charges associated with the switch of long distance service.