

SUBJECT: Removing cap on hotel or motel charges for telephone calls

COMMITTEE: Economic Development — favorable, with amendment

VOTE: 5 ayes — Oliveira, Moffat, Raymond, Solomons, Van de Putte
2 nays — Davis, Luna
2 absent — Yarbrough, Shields

WITNESSES: For — Don Hansen, Texas Hotel and Motel Association; Daniel Prosser, Telman Group Incorporated
Against — None

DIGEST: HB 823, as amended, would remove the 50 cent per call cap on the amount that hotels and motels may charge for non-operator assisted calls. It would require hotels and motels to prominently display at the check-in counter and on or next to each telephone the charge for making a call. The bill would take effect immediately if approved by two thirds of the membership of each house.

SUPPORTERS SAY: HB 823 would grant hotels and motels with large, complicated phone systems the flexibility to charge more than 50 cents for a local phone call to help defray the cost of their phone operations. Removing this artificial cap would also allow hotels to expand and upgrade their telephone service. Prices would have to be prominently posted at the front desk and on hotel phones, and guests and others would still have the option of using a pay phone.

Market forces should determine the costs charged by hotels and motels, not state law. Only six states including Texas have a cap on local phone calls for a hotel or motel. Setting a cap, whether 50 cents or a higher amount, only encourages hotels and motels to charge the cap, which could be more than market cost.

Ninety percent of the hotels in Texas do not charge for local phone calls as part of their marketing strategy and are not likely to begin charging for

local calls for fear of losing customers. Furthermore, many smaller hotels and motels have less sophisticated telephone systems and have no need to recoup telephone infrastructure investments.

The bill could increase sales tax revenues for the state. Based on \$1 per local phone call, the fiscal note estimated that the state could see additional revenue of \$100,000 per year. Also, these taxes may more often be paid by out-of-state guests staying at upper-end hotels.

**OPPONENTS
SAY:**

Lifting the cap on the cost of local phone calls from hotels and motels could invite exorbitant charges for this common service and would have an adverse impact on consumers. Hotel and motel guests frequently have no choice but to use the phone in their room regardless of the charges.

The costs of rooms in upper-end hotels, which are generally very high, should cover the costs of operating their phone systems.

NOTES:

The original bill would have raised the cap for a phone call from 50 cents to \$1; the committee amendment would remove the cap and require notification of telephone charges at check-in and on the telephone.

The cap for charges from pay telephones in HB 2128 by Seidlits, the telecommunications revision bill passed by the House on April 19, would be the same as the cap for local phone calls made at hotels and motels.