

HD2775
1980
c. 2

Annual Report of the
FEDERAL TRADE
COMMISSION
1980

FEDERAL TRADE

COMMISSION

LIBRARY

Annual
Report
of the

FEDERAL
TRADE
COMMISSION

For the Fiscal Year Ended
September 30, 1980

For sale by the Superintendent of Documents, U. S. Government Printing Office
Washington, D.C. 20402 (paper cover)

FEDERAL TRADE COMMISSION

MICHAEL PERTSCHUK, Chairman
PAUL RAND DIXON, Commissioner
DAVID A. CLANTON, Commissioner
ROBERT PITOFSKY, Commissioner
PATRICIA P. BAILEY, Commissioner

CAROL M. THOMAS, Secretary

EXECUTIVE OFFICES OF THE FEDERAL TRADE COMMISSION

Pennsylvania Avenue at Sixth Street, N.W.
Washington, D.C. 20580

Regional Offices

Atlanta, Georgia
Room 1000
1718 Peachtree Street, N.W.
Zip Code: 30367

Boston, Massachusetts
Room 1301
150 Causeway Street
Zip Code: 02114

Chicago, Illinois
Suite 1437
55 East Monroe Street
Zip Code: 60603

Dallas, Texas
Suite 2665
2001 Bryan Street
Zip Code: 75201

Denver, Colorado
Suite 2900
1405 Curtis Street
Zip Code: 80202

Los Angeles, California
11000 Wilshire Boulevard
Zip Code: 90024

New York, New York
Room 2243-EB Federal Building
26 Federal Plaza
Zip Code: 10007

San Francisco, California
450 Golden Gate Avenue
Zip Code: 94102

Seattle, Washington
28th Floor Federal Building
915 Second Street
Zip Code: 98174

Field Station

Honolulu, Hawaii
Room 6324
300 Ala Moana
Zip Code: 96850

LETTER OF TRANSMITTAL

FEDERAL TRADE COMMISSION
Washington, D.C.

To the Congress of the United States:

It is a pleasure to transmit the sixty-sixth Annual Report of the Federal Trade Commission covering its accomplishments during the fiscal year ended September 30, 1980.

By direction of the Commission.

DAVID A. CLANTON,
Acting Chairman.

THE PRESIDENT OF THE SENATE
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES

1980 ANNUAL REPORT
Table of Contents

Page

SUMMARY

CONSUMER PROTECTION	1
ENERGY	2
TRANSPORTATION	3
CREDIT ACTIVITIES	3
HOUSING	4
SUMMARY OF ENFORCEMENT ACTION	4
REDUCING REGULATORY BURDENS	4
MAINTAINING COMPETITION	5
SUMMARY OF ENFORCEMENT ACTIONS	5
HEALTH CARE	6
FOOD INDUSTRY	7
ENERGY AND MINERALS	7
TRANSPORTATION	7
ECONOMIC ACTIVITIES	8
THE IMPROVEMENTS ACT OF 1980	11
THE REGIONAL OFFICES	13
EXECUTIVE DIRECTION, ADMINISTRATION and MANAGEMENT	14

APPENDIX

PART II (Investigative Stage) CONSENT AGREEMENTS ACCEPTED AND PUBLISHED FOR PUBLIC COMMENT	
COMPETITION MISSION	17
CONSUMER PROTECTION MISSION	18
PART II (Investigative Stage) CONSENT AGREEMENTS ISSUED IN FINAL FORM	
COMPETITION MISSION	25
CONSUMER PROTECTION MISSION	30
PRELIMINARY INJUNCTIONS	
COMPETITION MISSION	37
CONSUMER PROTECTION MISSION	37

PERMANENT INJUNCTIONS

CONSUMER PROTECTION MISSION 39

CIVIL PENALTY ACTIONS

COMPETITION MISSION 41
CONSUMER PROTECTION MISSION 42

ADMINISTRATIVE COMPLAINTS

COMPETITION MISSION 51
CONSUMER PROTECTION MISSION 55

PART III (Adjudicative Stage) CONSENT AGREEMENTS
ACCEPTED AND PUBLISHED FOR PUBLIC COMMENT

CONSUMER PROTECTION MISSION 57

PART III (Adjudicative Stage) CONSENT AGREEMENTS
ISSUED IN FINAL FORM

COMPETITION MISSION 59
CONSUMER PROTECTION MISSION 60

INITIAL DECISIONS

COMPETITION MISSION 63
CONSUMER PROTECTION MISSION 64

FINAL COMMISSION ORDERS

COMPETITION MISSION 67
CONSUMER PROTECTION MISSION 69

APPELLATE COURT REVIEW OF COMMISSION ORDERS 73

SUPREME COURT REVIEW OF COMMISSION ORDERS 75

ECONOMIC REPORTS 77

ECONOMIC WORKING PAPERS 79

INTERVENTIONS BEFORE OTHER FEDERAL
AND STATE AGENCIES 81

POLICY PLANNING PAPERS 87

SUMMARY

During fiscal 1980, the Federal Trade Commission continued to fulfill the agency's statutory charge through its law enforcement and economic analysis activities.

The Commission's Maintaining Competition and Consumer Protection Missions continued to pursue the law enforcement goals of achieving fair and vigorous competition in markets free from deception and abuse. The major law enforcement efforts of the Commission were conducted on a case-by-case basis, complemented by carefully considered rulemaking and industry guidance. The economic implications of Commission actions were analyzed to maximize regulatory effectiveness and minimize industry burdens. In addition to providing substantive support for law enforcement investigations and litigation, the Commission's Economic Activities Mission conducted and published several complex analyses of market performance, and supplied expert commentary to other government agencies on the impact of regulatory proposals.

CONSUMER PROTECTION

A major goal of the Consumer Protection Mission is to identify key markets that have failed to provide consumers with material information. The Commission's objective of fostering vigorous competition for the consumer's dollar is significantly advanced when the public has access to the information necessary to make meaningful product comparisons and informed purchasing decisions. During 1980, the Consumer Protection Mission concentrated on housing, transportation, credit, and energy.

The Consumer Protection Mission has encouraged businesses to adopt mechanisms which increase the availability of meaningful information in the marketplace. Pertinent product information such as prices, performance attributes, and use and care instructions enable consumers to make informed judgments based on the relative value of competing goods. False, deceptive, misleading, or severely inadequate product information frustrates the efficient functioning of the marketplace and misallocates consumer resources.

When law enforcement actions were appropriate, the Consumer Protection Mission increasingly sought input from the Bureau of Economics to help evaluate the costs and benefits of Commission intervention. For example, in support of the occupational deregulation activities of the Consumer Protection Mission, the Bureau of Economics conducted a study of eye care services and found that in areas where optometrists

were permitted to advertise and form commercial firms, the prices of vision care declined, but the quality of service remained constant. Subsequently, the Commission published an advance notice of proposed rulemaking concerning the commercial practice restrictions in the field of optometry.

The Commission invested substantial resources to assure that remedial actions were both effective and economically justified. For example, in the proposed food advertising rule, after a lengthy examination of the possible benefits and probable costs of the rule, the Commission sought public comment on voluntary measures for improving nutritional information in food advertising. Further, after remedial actions were taken in several fields the Bureau of Economics assisted the Bureau of Consumer Protection in measuring the impact of Commission actions to determine whether the objectives of regulatory intervention continued to be met.

The Commission's focus on halting deceptive and unfair practices which cause substantial economic harm to consumers led to several successful redress actions. More than \$100 million in consumer redress was obtained for the American public as a result of selective law enforcement actions.

ENERGY

The Commission's Appliance Energy Labeling Rule was adopted in final form in 1980. The rule, which is required by the Energy Policy and Conservation Act, requires manufacturers of major appliances to affix an energy cost disclosure sticker to many appliances. The sticker provides information on the product's estimated annual energy cost and demonstrates how that energy cost relates to other comparable models. This trade regulation rule makes available for the first time, on a systematic basis, greater repurchase information concerning the cost of operating home appliances. Consumers may now factor these energy costs into the relative value of different models when shopping for major appliances.

The Commission completed work in 1980 on its Home Insulation Rule. This rule requires insulation manufacturers to provide information on labels and fact sheets which discloses their products' resistance to heat flow, or R-value, so that shoppers can compare the effectiveness and cost of home insulation.

The Commission also issued orders prohibiting companies from making unsubstantiated fuel economy claims for devices purporting to save gasoline by adding air to an automobile fuel mixture.

TRANSPORTATION

The Consumer Protection Mission brought three actions in the automobile industry aimed at correcting significant product problems and improving information available to consumers both before and after they make their purchase decisions. In one matter, the Commission accepted and published for comment a consent agreement with Chrysler which requires that manufacturer to spend an estimated \$45 million to replace front fenders, on 1977 Aspens and Volares. The complaint alleged that the fenders have a design defect causing premature rusting.

The Commission also accepted and published for comment an agreement which required the Ford Motor Company to repair three alleged defects identified as piston scuffing, premature camshaft wear and cracked engine blocks. Ford was also ordered to establish a system for disclosing information to the public about major engine and transmission problems.

The Commission also issued an administrative complaint against General Motors, alleging that the firm failed to disclose the existence of potential engine and transmission problems affecting at least 4 million cars. The case is presently in trial before an administrative law judge.

CREDIT ACTIVITIES

The Commission brought several actions to secure consumers' credit rights under several of the credit statutes it enforces. Cases were brought under the Truth-in-Lending Act, the Fair Debt Collection Practices Act, and the Equal Credit Opportunity Act, as well as under the Commission's Section 5 authority and Holder-in-Due-Course Rule.

The major activities in this area included commencing six actions alleging violations of the Fair Debt Collection Practices Act, which was enacted to prevent harassing, abusive, deceptive and unfair debt collection practices. Consent judgments securing injunctive orders and over \$100,000 in civil penalties were entered in three of these cases.

In another matter, Exxon agreed to pay a \$100,000 civil penalty to settle charges that it violated the credit and sales rights of buyers who purchased oil furnaces. The complaint alleged that Exxon denied customers' rights under the Commission's Holder-in-Due-Course Rule, and charged that Exxon failed to afford buyers the opportunity to cancel the contract as required by the cooling-off period of the Commission's Door-to-Door Sales Rule. In another case brought to enforce the Holder-in-Due Course Rule, one of the largest automobile dealers in the Southeast agreed to pay \$25,000 in civil penalties to settle charges it violated the Rule.

In actions brought under the Equal Credit Opportunity Act, settlements were reached securing injunctive relief and \$200,000 in civil

penalties from Amoco Oil Co. and an additional \$10,000 in civil penalties from a Georgia-based credit union. Westinghouse Credit Corporation, a subsidiary of Westinghouse Electric Co., signed a consent judgment requiring an educational program for its dealers to ensure that sex and marital information are not used in determining an applicant's creditworthiness.

HOUSING

The Consumer Protection staff released a rulemaking staff report which concluded that there had been a failure to provide adequate warranty service to a large segment of the 10 million Americans who own mobile homes. Both the staff and presiding officer in this proceeding recommended the adoption of a trade regulation rule. Public comment was solicited on these recommendations, and the staff currently is analyzing these comments.

SUMMARY OF ENFORCEMENT ACTIONS

During fiscal 1980, the Commission issued 21 final consent orders resulting from consumer protection investigations, and five more consent orders were issued settling matters in litigation. Twelve additional investigative-stage consent orders which had been accepted and published for public comment in fiscal 1980, were subsequently issued in fiscal 1981.

The Commission sought a preliminary injunction in an action concerning allegedly false and deceptive claims for 40,000 acres of land in West Texas. In two other consumer protection cases, the Commission sought permanent injunctions to prevent one company from selling and inserting alleged ineffective and dangerous hair implants as a cure for baldness, and to stop another company from selling allegedly worthless pizza franchises. The Commission is also seeking restitution for consumer losses in both of these cases.

The Commission authorized the Department of Justice to file actions in 26 consumer protection cases seeking civil penalties for violations of existing rules and orders. Twenty-two of these cases were settled for a total of \$848,000 in penalties.

During fiscal 1980, seven initial decisions were issued by administrative law judges in consumer protection cases and six final adjudicative orders were issued by the Commission. The Commission also issued three administrative complaints in consumer protection matters.

REDUCING REGULATORY BURDENS

The Commission took several actions during fiscal 1980 which were

designed to reduce regulatory burdens on business. These deregulatory actions included adopting two substantive amendments to a trade regulation rule, granting two exemptions to another rule, and declining to pursue rulemaking in two other areas.

Two substantive amendments were adopted to the Games of Chance Trade Regulation Rule. The purpose of these changes was to make compliance by industry less costly, thereby facilitating competition among game promoters, while continuing to maintain adequate safeguards against misleading, deceptive, or unfair practices in promoting contests at food and gasoline retail outlets.

The Commission granted two major exemptions to the Franchise Rule, determining that members of the petroleum and automobile industries need not comply with the rule requirements. Members of the petroleum industry were exempted because recent legislation and Department of Energy regulations are likely to preclude unlawful franchise practices. Members of the automobile industry were exempted because automobile franchises are unlikely to suffer from the type of practices the rule was designed to correct.

The Commission rejected a petition to embark on rulemaking for corrective advertising and reaffirmed its commitment to proceed on a case by case basis in this area. The Commission also proposed to terminate further proceedings on Phases II and III of the Food Advertising Rule, and enlisted public comments and industry guidance on how to increase meaningful nutritional information disclosures in advertising through non-regulatory means.

MAINTAINING COMPETITION

The Commission's Maintaining Competition Mission is designed to preserve and strengthen competition in the nation's marketplaces. Through enforcement of the Federal Trade Commission Act and the Clayton Act, the Commission monitors competitive conditions and, when necessary, moves to correct unlawful anticompetitive conduct.

In fiscal 1980, the Maintaining Competition Mission concentrated principally on cases and investigations in areas of major economic significance, including health care, food, energy and minerals, and transportation sections of the economy.

SUMMARY OF ENFORCEMENT ACTIVITIES

During fiscal 1980 the Commission issued 13 complaints in the competition area. The Commission also authorized preliminary injunctions in two merger cases, and in both cases the parties abandoned their acquisition plans prior to court decisions. The Commission requested the Department of Justice to file civil penalty actions in three

other competition matters. In one of these cases, four major steel makers agreed to pay \$440,000, one of the largest civil penalties in Commission history, to settle charges that the firms fixed prices on certain steel items used in building construction.

The Commission issued final consent orders in 21 matters resulting from competition investigations. Five other consent orders resulting from competition investigations were accepted and published for public comment.

In litigated matters, administrative law judges issued five initial decisions. For example, an administrative law judge ordered an end to interlocking directorates between Borg-Warner Corporation and Robert Bosch Corporation, since these firms were found to compete in the sale of certain automotive replacement parts.

The Commission itself issued five litigated orders in competition matters during fiscal 1980. These matters included Brunswick Corp., in which the Commission's order was designed to remedy the anticompetitive effects of a joint venture between Brunswick and Yamaha Motor Co., Ltd. (two manufacturers of outboard motors); and Herbert R. Gibson, Sr., et al., in which the Commission found that the respondents had violated the Robinson-Patman Act's prohibition of illegal brokerage fees and had engaged in certain illegal boycotts.

HEALTH CARE

The Commission took several actions designed to remove alleged market restraints and to free competitive forces in the health care field. The Commission found that the American Medical Association had unlawfully restrained competition through restrictions on advertising, solicitation and contract practice by its members. The Commission's order requires, among other things, that the AMA not prohibit advertising and solicitation of business by physicians, except where such activities are false, misleading or deceptive.

In an initial decision, an administrative law judge found that the Indiana Federation of Dentists had illegally conspired to boycott dental health insurance companies by refusing to supply patient X-rays to insurance companies seeking to use the X-rays to cut costs. The Commission also issued a complaint against the Texas Dental Association for allegedly conspiring similarly to withhold X-rays from insurance companies and inducing its members not to cooperate with cost-cutting programs.

The Commission issued a consent order settling charges that the medical staff of a Pittsburgh hospital had hindered competition by obstructing and delaying action on applications for hospital privileges by physicians who are affiliated with health maintenance organizations.

In addition, the Commission issued a consent order requiring Eli Lilly

and Company, a company responsible for 85% of the U.S. sales of insulin, to license its patents and know-how in the production of insulin.

FOOD INDUSTRY

The Commission settled two cases affecting competitive forces in the food industry. National Tea Company agreed to divest grocery stores in the Minneapolis-St. Paul area to settle charges that the 1979 acquisition of certain stores reduced competition in the retail grocery industry in the Twin Cities area. In addition, Southland Corporation, one of the nation's largest dairy processors, agreed not to purchase any additional dairy facilities for the next seven years without Commission approval. The Commission's complaint in that matter alleged that the firm had engaged in acquisitions which lessened competition in the fluid milk industry.

The Commission also issued a complaint charging Dairymen, Inc. with unlawfully reducing competition in the processing and sale of fluid milk in several southern metropolitan areas.

Finally, litigation continued in such other cases as International Telephone and Telegraph Corp., General Foods Corp., Beatrice Foods Co., and The Grand Union Co.

ENERGY AND MINERALS

The Commission issued a consent order (later reopened and modified in certain respects) requiring Atlantic Richfield Co. to divest certain copper-bearing properties and certain interests in copper-producing ventures. The order settled a complaint challenging Atlantic Richfield's 1977 acquisition of the Anaconda Copper Company.

In the course of offering competition advice to other agencies, the Commission's staff submitted comments to the Department of Energy regarding a Department proposal for phased decontrol of crude oil prices. The staff's comments suggested some alternative decontrol plans that would not encourage crude oil producers to hold back production pending the complete elimination of controls.

TRANSPORTATION

In addition to several significant matters described above involving products related to the transportation equipment sector -for instance, Brunswick (outboard motors) and Borg-Warner (automotive replacement parts) - a number of other matters involved transportation equipment or services. The Commission issued a complaint against the Massachusetts Furniture and Piano Movers Assn, Inc., alleging that the Association's collective rate-setting activities are illegal. In Champion

Spark Plug Co., a complaint was issued charging that Champion's acquisition of the Anderson Company eliminated potential competition in the replacement windshield wiper market.

The Commission's staff also continued its program of furnishing competition advice to government agencies involved in the regulation of transportation. For example, the staff submitted comments to the Interstate Commerce Commission regarding the ICC's proposal (prompted in part by an earlier FTC request) to give trucking companies a zone within which the firms could raise or lower rates without prior ICC approval. The staff also filed comments with the ICC in support of a proposal to ease regulatory barriers to entry in the intercity bus industry. In the railroad area, the staff participated in the ICC's proceeding to simplify the determination of when a railroad has "market dominance," and was also active in an ICC proceeding concerning an agreement between two railroads to build and operate a rail line in Wyoming's coal-rich Powder River Basin.

ECONOMIC ACTIVITIES

The Economic Activities work of the Commission provides vital assistance in evaluating the costs and benefits of the Commission's antitrust and consumer protection actions. The Bureau of Economics provided expert support and research for the evaluation, development and implementation of the Commission's law enforcement actions. This economic analysis complements the Commission's legal work and enriches the Commission's decisionmaking processes for promoting competition and efficiently minimizing consumer injury.

The FTC's Bureau of Economics has four main responsibilities: conducting research on the functioning of the industrial economy; providing economic support to antitrust and consumer protection investigations, cases and rulemaking; advising the Commission on the impact of governmental regulation of competition in various industries; and developing regular and special statistical reports on industrial market structure and performance.

Economists in the Division of Economic Evidence analyze the economic effects of antitrust actions and government regulations affecting competition or economic performance. A common focus is the analysis of markets which may perform noncompetitively for structural or other reasons. The Division attempts to identify situations of noncompetitive or monopolistic behavior. Division economists directly advise the Commission on the merits of all antitrust actions, and on the proper course and conduct of investigations. At times, Division economists develop the economic theories underlying particular cases as well as the evidence necessary to support them. At other times, particularly after complaints are issued, the economists help to integrate

economic analysis into the proceedings or to analyze the economic case made by respondents. Frequently, economists work with leading academic and other authorities in industrial organization and economic theory.

The Division has had a leading role in numerous cases and investigations and has been involved in reform of Interstate Commerce Commission regulations, and commenting on Department of Energy, Department of Transportation, National Highway Traffic Safety Administration, and Environmental Protection Agency rules. The Division has produced reports on the competitive effects of health maintenance organizations, competition in the beer industry, physician control of Blue Shield plans, and other topics.

The Division of Industry Analysis is primarily responsible for policy planning and research. The work covers a broad array of topics in antitrust, consumer protection and regulation. Projects currently under study include an analysis of the effectiveness of the electrical equipment price conspiracy case and an evaluation of the effectiveness of enforcement under Section 7 of the Clayton Act. On the consumer protection side, economists are studying the impact of consumer protection upon price and quality. These projects are generally interdisciplinary, permitting cross-fertilization of ideas among economists, lawyers and marketing researchers.

The Division of Consumer Protection is responsible for economic analysis of the FTC's rules and cases and proposed remedies concerning unfair and deceptive trade practices. The Division studies the behavior of markets with imperfect information. Efforts are made to identify market failures which can be improved through cases or rules within the Commission's jurisdiction. The Division's economists present to the Commission estimates of the costs and benefits of enforcement actions that are proposed by staff attorneys.

The Division of Financial Statistics is responsible for the Commission's Quarterly Financial Report (QFR). Since 1947, the QFR has presented quarterly income statements and balance sheet data for the manufacturing, mining and trade sectors of the economy. The QFR provides the Department of Commerce and the Federal Reserve Board with important information on the functioning of the economy.

The Division is also responsible for the Line of Business reporting program. The Line of Business (LOB) program seeks data from about 450 leading manufacturers on sales, cost, profit, and assets. Information is collected from these firms for 261 manufacturing and 14 nonmanufacturing industry categories. The LOB information is being used to analyze the relationships between industry structure and economic performance. The Division of Financial Statistics also prepares an annual report on mergers and acquisitions.

During fiscal 1980, the Bureau of Economics issued five economic

reports. One report, *The Effects of Restrictions on Advertising and Commercial Practice in the Professions: The Case of Optometry*, presents a study of the impact of advertising and commercial practice on the price and quality of professional services. The study compares the price and quality of optometry services in areas with different restrictions on advertising and on the operation of commercial firms. The study concludes that prices were lower in areas which permitted advertising and commercial practice and that quality was about the same in both restrictive and nonrestrictive markets.

Another report, *The Economics of Firm Size, Market Structure and Social Performance*, contains a series of papers presented at a conference sponsored by the Bureau of Economics. The papers examine the relationship between firm size, market structure and selected aspects of social performance such as political power, the distribution of income and wealth, community welfare, and worker satisfaction.

The Effects of Restrictions on United States Imports: Five Case Studies and Theory is a study which examines the costs and benefits of restrictions on U.S. imports. This report provides a methodology for assessing costs and benefits of restrictions and applies the methodology to five products - CB radios, color televisions, textiles, non-rubber footwear, and sugar. In each case, the study found that the cost of restricting imports, or the deadweight loss to the U.S. economy, is substantially greater than the benefits of the security provided to workers in a protected industry who would lose their jobs in that industry if protection were ended.

The Development and Structure of the U.S. Electric Lamp Industry examines the electric lamp industry and concludes that General Electric dominates the consumer sector of the industry because of its product differentiation advantage among small household buyers and its mutually comfortable relationship with the large food chains and other retailers. The study also concludes that the Justice Department cases relating to the electric lamp industry have left the industry structure largely unchanged and that the rate of innovation in the industry has been considerable.

Finally, *Physician Control of Blue Shield Plans* is a report discussing the presence and importance of the relationships between physician control of Blue Shield plans and (a) the reimbursement limits set for these plans and (b) the administrative costs of the plans. This empirical study concludes that physician control is associated with higher reimbursement ceilings. No evidence was found to support the hypothesis that plans controlled by physicians had greater administrative efficiency than plans which were not so controlled.

THE IMPROVEMENTS ACT OF 1980

During fiscal 1980, Congress passed the Federal Trade Commission Improvements Act of 1980. This Act contains several major substantive changes in the agency's core statutory authority. The Commission moved swiftly to publish amended interim rules implementing the Act. Included in the major provisions of the Improvements Act are amendments to the Federal Trade Commission Act providing for:

1. A New Section Governing the Reconsideration of Commission Orders. Section 5(b) of the FTC Act was amended to require the Commission to consider, and act within 120 days upon a petition by a person, partnership or corporation, to alter, modify, or set aside an order, in whole or in part, based upon changed conditions of law or fact.
2. Changes in Commission Practice Concerning Presiding Officers in Rulemaking Proceedings. The Improvements Act of 1980 mandates that presiding officers must be structurally and organizationally independent from other staff members of the Commission. The Act requires presiding officers to make recommended decisions based upon the findings and conclusions from all the relevant and material evidence in the rulemaking record. Finally, the Act adopts a ban on ex parte communications parallel to that imposed on administrative law judges.
3. Modifications in Compulsory Process. The Improvements Act requires that a Commissioner acting pursuant to a Commission resolution must sign all nonadjudicative compulsory process requests.
4. The Use of Civil Investigative Demands for Investigations Concerning Unfair and Deceptive Acts or Practices. The Improvements Act provides that the exclusive form of compulsory process available to the Commission in consumer protection investigations is the authority to issue civil investigative demands. Civil investigative demands are patterned after the Justice Department's civil compulsory process procedures, and may be issued for the production of documents, written reports, answers to interrogatories, or oral testimony.
5. New Confidentiality and Custodial Procedures. The Act declares that any information received by the Commission in a law enforcement investigation, whether obtained voluntarily or pursuant to compulsory process, shall be exempt from disclosure under the Freedom of Information Act. The Act also restricts the disclosure of confidential commercial or financial information. In addition,

materials which are obtained pursuant to compulsory process in a law enforcement investigation are subject to custodial treatment. Upon petition, persons submitting documents to the Commission may request their return, at the close of the proceeding for which the material was submitted. Finally, the Act contains a special provision prohibiting the disclosure of Line of Business data in an individually identifiable form.

6. **How Information May Be Shared with Other Agencies.** The Improvements Act permits the Commission to share information with other federal and state law enforcement agencies upon certification that the material will be used for official purposes and will be kept confidential.
7. **Legislative Review of Rules.** The Commission must submit any final trade regulation rule for congressional review and may not implement any rule for at least 90 legislative days, during which time the House and the Senate may adopt a concurrent resolution disapproving the rule.
8. **Regulatory Reform.** The Commission must publish an advance notice of proposed rulemaking prior to undertaking any trade regulation rulemaking proceeding. Such an advance notice must be provided to the Commerce Committees of the House and the Senate, and any notice of proposed rulemaking must also be submitted to these Committees 30 days before publication. The Act codifies the Commission's practice of publishing a semi-annual agenda of future rulemaking activities. It also requires issuance of regulatory analyses, in which rulemaking objectives, economic effects, and alternatives would be discussed.
9. **Other Provisions Concerning Specific Activities or Programs.** The Act specified the maximum any single group may receive in public participation funds and allocates 25% of the funds for small businesses. The Act addressed the scope of a proposed trade regulation rule on the funeral industry permitting action only to require price disclosures, and to enjoin misrepresentation, boycotts, threats, or the sale of services without consumer consent. The Act directs the Commission not to conduct any study, investigation, or prosecution of any agricultural-cooperative for conduct exempt from the antitrust laws by the Capper-Volstead Act. The Improvements Act placed a three-year moratorium on the Commission's authority to promulgate rules for unfair commercial advertising, required the Commission to publish the text of its proposed rule on children's advertising, and limited further action on that rule to only those practices found to be deceptive. The Act withdrew the Commission's authority to promulgate rules concern-

ing standards and certification pursuant to Section 18 of the FTC Act. The Commission was prohibited from using funds through fiscal 1982 for petitioning the Commissioner of Patents for cancellation of a registered trademark on the grounds that it had become a common descriptive name. Finally, the Act ordered the Commission not to conduct any investigation of the business of insurance unless authorized by a vote by either the Senate or the House Commerce Committee.

THE REGIONAL OFFICES

During fiscal 1980, the regional offices continued to play a vital role in implementing the policies and law enforcement responsibilities of the Commission. The regional offices, since they are located in the areas they serve, have helped develop and carry out those law enforcement activities which are best suited to the economic realities of their respective areas. The regional offices helped to monitor federal antitrust and consumer protection laws, provided important guidance and education to businesses and consumers, and coordinated efforts with local and state law enforcement agencies.

The regional offices made major contributions to the Commission's law enforcement efforts, returning millions of dollars to the American public through consumer redress actions. The regional offices were responsible for handling some of the most significant litigation and achieving some of the most important settlements during fiscal 1980. These matters included the first case brought to enforce the Franchise and Business Opportunity Trade Regulation Rule; a consent order refunding \$2,000,000 for alleged sham sales of repossessed vehicles; a consent order returning over \$1,000,000 to students of a correspondence school to redress alleged misrepresentations about job opportunities and salaries for graduates; the first application of consumer redress to competition cases, in an order which obtained \$1,225,000 to settle price fixing charges in the art supply industry; major settlements against two large U.S. automakers obtaining consumer redress for alleged major defects and in one case implementing a detailed system to provide more information to consumers about significant product problems; an initial decision against a major department store chain for failing to make written warranties readily available to shoppers; complaints in competition matters alleging in one instance a conspiracy to boycott health insurance companies by withholding dental X-rays and in another matter alleging that the results of a bid depository served to fix prices of electrical contracts in Central Florida.

The regional offices handled tens of thousands of inquiries and complaints from consumers, businesses and members of Congress. These offices provided important law enforcement guidance and education to

members of the public, small business associations, and local interest groups of numerous types. Overall, the regional office structure enabled the Commission to carry out its mission in a more effective manner.

EXECUTIVE DIRECTION, ADMINISTRATION AND MANAGEMENT

The Federal Trade Commission is committed to improving its own efficiency through the implementation of more effective agency administration. In addition to a long-standing dedication to recruiting top level attorneys, economists, and management officials, the agency has adopted important data processing support capabilities to improve the tracking and allocation of agency resources, to provide analytical support for law enforcement, and to improve recordkeeping and reporting responsibilities.

The Commission continued the process of implementing a technically sophisticated management information system. This system will track the status of all open cases and projects and will track staff time on these matters. This system will enable the agency to monitor the progress of cases and investigations and improve the capability to move matters quickly.

The agency continued to implement the Civil Service Reform Act during 1980. Four systems, each requiring substantial development and testing, were adopted. The first system provided a performance appraisal process for members of the Senior Executive Service. This system, which provides the adoption of performance objectives and standards to measure the executive's performance, was adopted after significant study by the agency and its senior management.

A system was also developed to identify future candidates for the Senior Executive Service. The agency utilized an Assessment Center to evaluate the behavior of potential candidates reacting to multiple problems, to determine the likelihood of their success as senior managers. The Assessment Center concept utilizes several trained observers, who make judgments about individual behavior in different situations designed to simulate managerial positions.

The third system the agency developed was a new performance appraisal system for non-SES staff. This system provides for periodic appraisal of employee job performance, and uses the results of performance appraisals as the basis for training, rewarding, reassigning, promoting, reducing in grade, retaining and removing employees. This system was tested by several offices during the year, and was fully implemented in 1981.

Finally, the merit pay system was developed to meet the requirements of the Civil Service Reform Act. The merit pay system was designed to recognize and reward quality performance by supervisory and

managerial officials, and covers many FTC employees in grades 13 and 15. This system was devised in 1980, and tested in several offices. It was fully implemented shortly after the end of that fiscal year, and the first merit pay performance determinations will be made in 1981.

THIS PAGE MISSING FROM ORIGINAL

PART II (Investigative Stage)
CONSENT AGREEMENTS ACCEPTED
AND PUBLISHED FOR COMMENT

(Part II consents accepted and published for comment in FF 80, and issued in final form in FF 80, are listed in the following section)

COMPETITION MISSION

Genstar Ltd.

Under terms of this consent, Genstar Ltd., a Canadian cement company, will reform certain agreements with competitors that would let it share in their profits. The complaint accompanying the consent agreement alleges that Genstar purchased 21.5% of the stock of a U.S. company, the Flintkote Company. The complaint alleges that Genstar earlier had entered into long-term supply agreements with two of Flintkote's principal competitors containing provisions for profit-sharing. The complaint alleges that as a result of the supply agreements, the acquisition could reduce price competition in the manufacture and sale of portland cement and could increase anticompetitive cooperation among the three companies. The acquisition allegedly also could have the effect of facilitating price fixing or restricting supplies.

Binney and Smith

This consent agreement requires Binney and Smith to deposit \$1 million for a restitution fund for public school systems to resolve charges that this art supply manufacturer allegedly inflated prices through a price-fixing conspiracy. The complaint accompanying the consent agreement alleges that the firm conspired with competitors to fix prices of crayons, watercolors, tempera paints and chalk. The agreement also bars the company from disclosing prices or bids to competitors before they are disclosed to the general public. This consent agreement, along with companion cases, marks the first time the FTC has obtained restitution for consumers in an antitrust case.

Milton Bradley Company

This consent agreement requires Milton Bradley to deposit \$200,000 for a restitution fund for public school systems to resolve charges that this art supply manufacturer allegedly inflated prices through a price-fixing conspiracy. The complaint accompanying the consent agreement alleges that the firm conspired with competitors to fix prices of crayons, watercolors, tempera paints and chalk. The agreement also bars the company from disclosing prices or bids to competitors before they are disclosed to the general public. This consent agreement, along with the companion cases, marks the first time the FTC has obtained restitution for consumers in an antitrust case.

American Art Clay Company

This art supplies manufacturer will contribute \$25,000 for refunds to school systems that may have been overcharged because of an alleged price-fixing conspiracy. This agreement is the third obtained by the FTC from manufacturers of crayons, paint, chalk, clay and other art materials. The complaint accompanying the consent agreement alleges that the company conspired with competitors to fix the prices of art supplies at artificially high levels.

SmithKline Corp.

Under this consent agreement, SmithKline, a major manufacturer of pharmaceutical and cosmetics, must divest its Sea and Ski subsidiary. The complaint accompanying the consent agreement alleges that SmithKline's acquisition of Allergan Pharmaceutical Inc. violated antitrust laws because it eliminated competition between the two firms in the sale of suntan and sunscreen products. Allergan makes "Eclipse" suntan and sunscreen preparations. The complaint also alleges that the merger further reduced competition in the already concentrated market for suntanning and screening products. In addition, the agreement requires SmithKline to provide the buyer of Sea and Ski, for one year, with personnel or technical assistance in the manufacture or marketing of the products.

CONSUMER PROTECTION MISSION

Montgomery Ward and Company

Under an agreement to settle charges that Wards gave consumers false and misleading information that may have led consumers to install woodburning stoves too close to surfaces that are combusti-

ble, Wards will relocate stoves for which it allegedly understated minimum safe clearances from these surfaces. Wards also would have to install protective heat shields on models that need them. If consumers are not satisfied with these measures, the agreement would require Wards to remove the stove, refund the full purchase price, and make reasonable repairs necessitated by the removal.

Morton-Norwich Products, Inc.

Morton-Norwich, the manufacturer of Encare brand contraceptive suppositories, may no longer compare its product to the birth control pill or intrauterine devices (IUD) without disclosing that the suppositories are less effective than the pill or the IUD. The agreement would settle charges that previous advertising created a false impression that the product could be used about as effectively as the pill or the IUD. The agreement also would prohibit the company from making any unsubstantiated effectiveness claims for its product. The company also would be barred from claiming that the product is highly or extremely effective, or that it has any novel characteristics other than their suppository form. In future advertising for the contraceptive, the company must include four disclosures concerning the product's use and possible effects. The firm also agreed to prepare a pamphlet for consumers that will include disclosures and information about the advantages and disadvantages of various over-the-counter contraceptive methods. The firm also must place, in professional publications, advertisements that contain the disclosures regarding effectiveness.

American Home Products

American Home Products, the manufacturer of Semicid brand contraceptive suppositories, may no longer compare its product to the birth control pill or intrauterine devices (IUD) without disclosing that the suppositories are less effective than the pill or the IUD. The agreement would settle charges that previous advertising created a false impression that the product could be used about as effectively as the pill or the IUD. The agreement also would prohibit the company from making any unsubstantiated effectiveness claims for its product. The company also would be barred from claiming that the product is highly or extremely effective, or that it has any novel characteristics other than the suppository form. In future advertising for the contraceptive, the company must include four disclosures concerning the product's use and possible effects. The firm also agreed to prepare a pamphlet for consumers that will include disclosures and information about the advantages and disadvantages of various over-the-counter contraceptive methods.

The pamphlet will be distributed to health care professionals who previously received promotional material, and to pharmacies that purchased the products. The firm also must place, in professional publications, advertisements that contain the disclosures regarding effectiveness.

Jordan-Simner

Jordan-Simner, the manufacturer of S'Positive brand contraceptive suppositories, may no longer compare its product to the birth control pill or intrauterine devices (IUD) without disclosing that the suppositories are less effective than the pill or the IUD. The agreement would settle charges that previous advertising created a false impression that the product could be used about as effectively as the pill or the IUD. The agreement also would prohibit the company from making any unsubstantiated effectiveness claims for its product. The company also would be barred from claiming that the product is highly or extremely effective, or that it has any novel characteristics other than the suppository form. In future advertising for the contraceptive, the company must include four disclosures concerning the product's use and possible effects.

Chrysler Corp.

In a settlement worth an estimated \$45 million to consumers, Chrysler will replace certain rusted front fenders on 1976 and 1977 Aspens and Volares, or reimburse owners who have already made the replacement. The staff estimates that about 200,000 of these vehicles may exhibit rust caused by an alleged design defect within the first three years of use. The rust eventually eats through the metal in spite of any preventive measures taken by the owner. The complaint which would accompany the consent agreement alleges that Chrysler used a fender design that trapped moisture and hindered the proper application of rust protective coatings. Chrysler also allegedly failed to disclose this problem to owners and to prospective purchasers, as well as failed to disclose that it would replace certain rusted fenders free or at a reduced cost to complaining customers.

Dancer-Fitzgerald-Sample, Inc.

This New York advertising agency is barred from claiming that Bayer Aspirin is superior to other brands, unless the claim is substantiated, or that Cope relieves nervous tension. The agreement also would require the agency to disclose in advertising for Cope that the product contains aspirin and caffeine. The agreement would settle charges that the advertising company made unsubstantiated claims for the product.

Bob Rice Ford, Inc.

This Boise, Idaho Ford dealer agreed to notify certain past customers it improperly restricted the implied warranties on used cars. Rice Ford also will make warranties available prior to future sales. The complaint which would accompany the agreement alleges that Rice Ford violated the Magnuson-Moss Warranty Act by improperly attempting to disclaim in writing all implied warranties when issuing its own written warranties, failing to make the text of written warranties available to prospective buyers for review, failing to designate its used car warranty as a "limited warranty," and failing to include certain items of information in its used car warranty as required by law. Under the agreement, the dealer also would be required to advise consumers who received improperly restricted warranties with all remedies available under state law.

Mentholatum Company, Inc.

To settle charges that its advertising claims contradicted government-required label warnings, Mentholatum, the maker of Snug Denture Cushions, has agreed to refrain from claiming that the product is for long-term use. This health warning stems from Food and Drug Administration findings that long-term use of ill-fitting dentures, with or without cushions, might lead to gum irritation or bone problems. The FDA advises that the product should be used only temporarily until a dentist can be seen. Snug advertisements claimed that the product will hold dentures firmly and comfortably and "last for weeks." Whenever length of use claims are made, Mentholatum also must make clear that the product is for short-term use only.

Benton and Bowles, Inc.

This New York advertising agency agreed to depict safe riding habits in any advertisements it produces for bicycles, tricycles or minibikes. The complaint which accompanied the agreement alleges that the agency produced certain advertisements for AMF, Inc. that could influence children to copy possibly dangerous bicycle riding behavior. Benton and Bowles has agreed not to show similar behavior in future advertisements and not to feature a child who appears 8 years old or younger riding in the street unless accompanied by an adult who is also on a bicycle.

Universal Bodybuilding, Inc.

To settle charges that it allegedly exaggerated the results children

under 17 could expect from its bodybuilding programs, Universal Bodybuilding agreed not to make unsubstantiated claims in the future. Under the agreement, advertising directed to teenagers and children may not use pictures or drawings with adults or professional models to promote the sale of bodybuilding or muscle-building products. The company also is prohibited from using testimonials that do not represent the typical results young people may reasonably expect to receive. The complaint accompanying the agreement alleges that the company falsely stated in comic book ads and promotional materials that buyers of its programs would quickly improve their physical appearance, and add muscles and lose fat. The complaint alleges that these ads were deceptive because the company did not have proof for the claims and because young people did not ordinarily achieve the promised results.

Mobil Oil Corp.

Mobil Oil Corp. has agreed to disclose in its advertising that some automobiles using "Mobil 1," the company's synthetic motor oil, consume increased amounts of oil. Under the agreement, if the company claims in ads or in labels or packaging materials that Mobil 1 results in reduced oil consumption, it also must recommend that users check oil levels frequently. The ads and other materials must contain these disclosures within six months after the effective date of the order. The complaint accompanying the consent alleges that Mobil 1 causes increased oil consumption in certain cars because of its low viscosity, or thinness, which allows it to escape rapidly through relatively wide openings between engine parts.

Farnam Companies, Inc.

Farnam, the manufacturer of "Snail jail," a garden pesticide, agreed no longer to make such claims as "completely safe for children and pets," under this consent agreement. The firm agreed not to make any promotional claims that contradict the package label warning mandated by the Environmental Protection Agency, which states in part: "This pesticide may be fatal to children and dogs or other pets if eaten." The complaint accompanying the consent alleges that a person could get the toxic ingredients from the product on his or her skin simply by handling the Snail Jail. The complaint also alleges that several advertisements implying that the EPA has approved the product as safe for users and children and pets in a general environment are false. Under the proposed order, Farnam print advertisements and other promotional

materials for three years would have to carry this statement clearly and conspicuously: "All pesticides can be harmful to health and the environment if misused. Read the label carefully and use only as directed." A similar statement would be required in all broadcast advertisements.

THIS PAGE MISSING FROM ORIGINAL

PART II (Investigative Stage)
CONSENT AGREEMENTS ISSUED IN FINAL FORM

COMPETITION MISSION

Forbes Health Systems Medical Staff

The medical staff of the Pittsburgh Hospital Group (Forbes) agreed not to hinder access of qualified physicians to staff privileges simply because the physicians are associated with certain types of health care plans (such as health maintenance organizations) or because they do not practice on a fee-for-service basis. The complaint accompanying the consent alleged that the Forbes staff hindered competition by obstructing and delaying action on applications for hospital staff privileges submitted by HMO-affiliated physicians.

Jaymar-Ruby

The nation's largest manufacturer of men's quality slacks was prohibited from trying to set retail prices for its products. Under the agreement, Jaymar cannot take any action against retailers for individual price decisions, nor can it recommend any suggested retail price for a period of years. Retailers may continue to use the manufacturer's name and trademark in advertising and sales, and must be allowed to participate in cooperative ad programs, regardless of the price at which they sell Jaymar products.

Gant, Inc.

This major clothing manufacturer was prohibited from trying to set retail prices for its products. Under the agreement, Gant cannot take any action against retailers for individual price decisions, nor can it recommend any suggested retail price for a period of years. Retailers can continue to use the manufacturer's name and trademark in advertising and sales, and must be allowed to participate in cooperative ad programs, regardless of the prices at which they sell Gant products.

Roofing Contractors Association

The Roofing Contractors Association (based in Seattle) has agreed to refrain from interfering with members' decisions on prices and guarantees offered for installing and repairing roofs. The agreement settles allegations that the association restrained trade by having members agree to fix the terms and guarantees for installing and repairing roofs, and deprived customers of competitive

benefits by preventing members from offering alternate guarantee plans and by having them agree not to cover certain items in their guarantees.

Bayer A. G.

Bayer is required to divest all United States assets acquired from Miles Laboratories, Inc. that involve allergenic extracts. Miles was acquired in January, 1978, by Bayer A.G. (through its United States subsidiary, Rhinechem Corp.). These three companies are barred from acquiring certain types of related businesses within specified time periods without prior FTC approval. The complaint accompanying the agreement alleged that Bayer's acquisition of Miles substantially reduced competition in the highly concentrated allergenic extracts industry. Allergenic extracts are biological products used to diagnose or treat allergies.

W.R. Grace and Company

W. R. Grace and Company is required to divest four "Handy Dan" home improvement stores acquired in its merger with Daylin, Inc. Grace may divest the stores individually, or as a unit, with the approval of the Commission. The complaint accompanying the consent agreement alleged that the acquisition reduced competition in the home improvement business in the San Jose, California, area. A. Grace subsidiary, Orchard Supply and Building Company, also operates home improvement stores in the area, and it was alleged that the acquisition eliminated the competition between the two companies.

Hartz Mountain Corporation

Hartz Mountain Corporation, the nation's largest manufacturer of pet supplies, must allow its retailers and distributors to carry competing brands as well as its own, under terms of this agreement. It also is barred from fixing the prices at which distributors sell Hartz products to retailers and from discriminating among retailers in the prices offered them. The complaint accompanying the agreement alleged that Hartz restrained trade by preventing its distributors from soliciting certain customers, impairing the reputation of customers and giving discounts to certain distributors and not to others.

Texas Association of Professional Sureties and Association of Professional Sureties of Houston

These two Texas bail bond associations agreed not to fix the prices

that members must charge. The complaint accompanying the consent alleged that the associations pressured their members to use only uniform, non-competitive prices for the sale of bail bonds. It was also alleged that the two associations stated minimum fees that members were required to charge, instead of allowing them to establish their own.

Eli Lilly and Company

Eli Lilly and Company, which accounts for an estimated 85% of United States sales of insulin, agreed to license other companies to use its U.S. patents and know-how in producing insulin. The order also bars the firm from conspiring to monopolize the U.S. insulin market. The agreement settles complaint allegations that Lilly illegally monopolized the U.S. insulin market through a conspiracy with U.S. and foreign firms. Lilly also will license other companies to make use of certain insulin and related inventions that it may acquire or develop in the future.

Clinique Laboratories, Inc.

This major manufacturer of women's cosmetics will not try to set the retail prices charged by its dealers and will not suggest retail prices for its products for at least three years under the terms of this consent agreement. The complaint accompanying the agreement alleged that Clinique established and controlled the resale prices for its products and conspired with some of its dealers to maintain uniform prices. After the three year period, Clinique can recommend resale prices only if it clearly and conspicuously states to its dealers: "The retail prices quoted herein are suggested only. You are completely free to determine your own retail prices."

Towle Manufacturing Company

Under terms of this consent agreement, Towle may not force stores to sell its silverware at manufacturer-determined prices. The complaint alleged that the company fixed retail prices, thereby reducing competition among dealers. Towle agreed to clearly inform dealers that its suggested prices are only guidelines and that they are free to set their own prices.

Darvel, Inc.

Darvel, Inc., the maker of "Zeppelin" jeans, may not fix the resale prices for its products and may not suggest resale prices for its products to dealers for one year, under terms of this consent order. The complaint alleged that the California company had establish-

ed and controlled the prices at which dealers could advertise or sell its jeans and accessories. After the one year period, Darvel may suggest prices and sale periods, only if it clearly and conspicuously states to dealers: "The (resale price or sale periods) quoted herein are suggested only. You are free to determine your own (resale prices or sale periods)."

Schlumberger Ltd.

Schlumberger agreed to divest its minority stock interest in one of two companies manufacturing the same type of electronic component. Under terms of the agreement, Schlumberger will divest all stock that it holds in Unitrode Corp. The agreement follows an investigation of Schlumberger's 1979 acquisition of Fairchild Camera and Instrument Corp. Both Fairchild and Unitrode manufacture and sell various types of semi-conductors, including diodes. The complaint accompanying the consent agreement alleges that Schlumberger's continued simultaneous holding of both Unitrode and Fairchild stock would lessen competition in the diode market.

Midland-Ross Corp. and Claude M. Blair

These two orders prohibit Midland-Ross from sharing directors with competing firms, and Claude M. Blair from serving as a director of competing firms. Blair served simultaneously on the boards of Midland-Ross and Gould, Inc. The complaint accompanying the consent alleges that while Blair served on both boards, Gould and Midland-Ross competed in the manufacture of various electrical-related hardware. Under the order, the company is required to institute internal monitoring programs to detect interlocks with new competitors, and refuse to allow any person to serve as a director who did not fully participate in these monitoring programs.

Narco Scientific, Inc. and William C. Musham

Under these two orders, Narco is prohibited from having any director who also is a director of a competing firm, and William C. Musham is prohibited from serving as a director of competing firms. Musham served simultaneously as a director for Narco and Gould, Inc. While Musham served on both boards, the complaint accompanying the consent alleges that Gould and Narco were competitors in the production of certain electronic medical devices. Under the order, the company is required to institute internal monitoring programs to detect interlocks with competitors,

and refuse to allow any person to serve as a director who does not fully participate in these monitoring programs.

Pay Less Drug Stores Northwest, Inc.

Under terms of this order, Pay Less Northwest must divest three stores, two of which it acquired from Pay Less Drug Stores. The agreement settles allegations that Pay Less Northwest's acquisition of Pay Less in February 1980 violated Federal antitrust law because it reduced competition in the Lodi and Livermore, California, areas. Under the agreement, Pay Less Northwest also must use its "best efforts" to complete Pay Less' plans for two new drug stores in the Livermore area.

Bendix Corp.

Under this agreement, Bendix and its recently acquired subsidiary, Warner and Swasey Company, will divest a product line to offset alleged anticompetitive effects of the merger. The agreement also contains restrictions on the number of controls Bendix can supply for the machine tools produced by Warner and Swasey. The complaint accompanying the consent alleges that merger of the two companies eliminated competition between them in two areas of machine tool production, rotating tool holders and external cylindrical grinding machines. The consent agreement permits Bendix to retain the Warner and Swasey division that produces numerically controlled machine tools, but it contains provisions designed to prevent Warner and Swasey from becoming the exclusive customer for Bendix controls. So that other companies are not denied access to Bendix controls and Warner and Swasey is not foreclosed as a customer for other controls producers, Bendix will be limited for four years in the number of controls it may sell to Warner and Swasey.

Totes, inc.

The maker of "totes" rainwear agreed not to require its dealers to advertise at the manufacturer's suggested price as a condition of reimbursement for a portion of the ad's cost. The complaint accompanying this consent agreement alleges that totes employs price-restrictive advertising requirements, in violation of antitrust laws. Under the consent agreement, totes is not allowed to make its sponsorship of a cooperative ad contingent on the prices at which its products are advertised or sold. In addition, the company is prohibited from withholding ad-cost reimbursement because the dealer's ads compare its prices on totes with those of a competing dealer.

Tingley Rubber Corp.

This maker of rubber footwear agreed not to require its dealers to advertise the manufacturer's suggested price as a condition of reimbursement for a portion of the ad's cost. According to the complaint accompanying the consent, these price-restrictive advertising requirements violate antitrust law. Under the consent agreement, Tingley is not allowed to make its sponsorship of a cooperative ad contingent on the prices at which its products are advertised or sold. Additionally, the company is prohibited from withholding ad-cost reimbursement because the dealer's ads compared its prices with those of a competing dealer.

CONSUMER PROTECTION MISSION

Gordon Cooper, American Consumer, Inc., Admarketing, Inc., C.I. Energy Development, Inc., and R.R. International, Inc.

These distributors, marketers and endorsers of the "GR Valve" agreed not to make unsubstantiated gasoline savings claims about the product. The valve is a small plastic device that purports to save gas by adding air to the fuel mixture. The complaint alleged the advertisements falsely represented that these distributors, marketers and endorsers were experts in automotive engineering. The complaint also alleged the ads were deceptive because they misrepresented certain test results of consumer use of the valve. Under the order, they agreed to stop making such claims.

Karr Preventative Medical Products, Inc.

The maker of Acne-Staton is prohibited by the agreement from claiming that its product cures acne, eliminates acne's causes, or is superior to all other acne preparations unless it has a scientific basis for such claims. The agreement provides for consumer restitution.

Westinghouse Credit Corp.

In the first consent agreement involving alleged violations of the Equal Credit Opportunity Act by a sales finance company, this wholly owned subsidiary of Westinghouse Electric Company agreed to develop an education program for its dealers and employees to ensure that there are no violations in the future. The complaint alleges that the firm used sex and marital status information in determining an applicant's credit worthiness. Westinghouse also was charged with considering information about an applicant's spouse, whether or not the spouse was involved in the credit transaction. Westinghouse also agreed to give the

name and address of any credit reporting company used. The firm allegedly violated a provision of the Fair Credit Reporting Act by failing to give this information to consumers.

Home Centers, Inc.

This Ohio appliance store chain agreed not to misrepresent price reductions and potential customer savings. Home Centers is prohibited from saying that a product is being offered at a savings or reduced price unless there is a meaningful savings and the price offered is lower than Home Centers' regular price or some other reference price. The firm also is required to give the time period in which the reduced price will be in effect. The complaint alleged that Home Centers was not offering products at the savings represented and that the "specials" and "reduced" prices were essentially the same as regular selling prices.

San-Mar Laboratories, Inc.

This producer of the Home Acne Treatment Kit will offer, in writing, a full refund to dissatisfied customers, under terms of this consent agreement. They also will refrain from making allegedly false advertising claims about the ability of its product to cure acne. The agreement also requires the Home Acne Treatment Kit to be tested scientifically in two independent, controlled clinical studies before claims can be made about its effectiveness in treating acne.

Harvey Glass, M.D.

This dermatologist endorsed the Home Acne Treatment Kit in newspaper and magazine advertisements. He agreed to participate in the consumer refund provisions of the San-Mar Laboratory agreement, and also agreed not to endorse products unless the claims were scientifically tested in two independent, controlled clinical studies before the claims were made.

AMF, INC.

AMF, Inc. agreed to prepare and distribute television messages on safe bicycle riding, under terms of the consent agreement. The company also agreed that their future advertising will depict safe riding habits. The complaint alleged that two past AMF television commercials, featuring children with unsafe bicycle and tricycle riding habits, might influence other young children to imitate them. AMF will produce two or more safety messages, in the form of public service announcements, and will submit them to 109

television stations across the country which carry a substantial amount of children's programming.

Nolan's R. V. Center, Inc.

Nolan's R.V. Center, Colorado's largest recreational vehicle dealer, will make available to customers written copies of warranty information under terms of this consent agreement. The copies of the warranties must be clearly displayed inside each vehicle offered for sale. Nolan's also must utilize signs alerting potential customers to check the duration, extent and coverage of the warranties. The complaint alleged that Nolan's had failed to make the text of the warranties available for review by potential customers prior to sale.

Shell Oil Company

Shell Oil Company agreed not to hold a credit card holder liable for use of a credit card by another person after the card holder has notified the company that the person is no longer authorized to use it. The complaint alleged that Shell attempted to collect from credit card holders for such unauthorized charges even after receiving notification. The Commission alleged that, under the Truth-In-Lending Act, a card holder's liability ceases once the card issuer has been notified of revocation of previously authorized use.

Mid-City Chevrolet, Inc.

Mid-City Chevrolet agreed not to make unsubstantiated advertising claims for a fuel economy product. The Maryland car dealer advertised and sold "Power Pak," a product it claimed would improve fuel economy when installed on automobile engines. The complaint alleged that the "Power Pak" would not have improved fuel economy 25 to 50 % as claimed, and that no competent scientific test proved the claims. Mid-City also agreed to contact consumers who purchased the product and offer them full refunds.

Hair Extension of Beverly Hills, Inc.

This Beverly Hills, California hair-implant firm agreed not to advertise, sell or perform hair implants under terms of this consent agreement. The hair implant process involves the insertion of fibers into the scalp and is used for the treatment of baldness or hair loss. The complaint alleged that the firm falsely represented the safety and effectiveness of the treatment. The firm may resume advertising and performing implants with FTC permission, if they can show that the treatments are safe and effective. If they do start per-

forming implants again, they must place health and safety warnings in their advertisements.

Kettle Moraine Electric, Inc.

This Wisconsin insulation manufacturer agreed not to misrepresent in advertising the flame-retardant ability of its cellulose insulation. The company also will substantiate future ads with reliable scientific data. The complaint alleged that the company did not have any reasonable basis for its representations on the flammability of its insulation.

S. Klein, Inc.

This Washington, D.C. women's clothing retailer agreed to make refunds to certain customers whose layaway contracts were unfairly canceled. Klein also agreed to alter its contracts to provide customers with more information on credit costs. The complaint alleged that Klein denied certain layaway customers the right to receive a refund of amounts paid upon default of the contract, and that the store failed to disclose certain credit costs information required by the Truth-In-Lending Act.

AHC Pharmacal, Inc.

AHC Pharmacal, Inc. must state that "no product can cure acne" in future advertisements for acne-treatment products. AHC has agreed to place the corrective advertisements in newspapers in six states and on major radio stations in three cities for three months before running other ads. The complaint alleged that the company did not have reliable scientific evidence for its claims that its products can cure acne. AHC agreed to have two well-controlled clinical studies conducted before making effectiveness and superiority claims.

Hayoun Cosmetique, Inc.

Hayoun Cosmetique agreed to state "no product can cure acne" in future advertisements for its acne-treatment products. Hayoun will put the statement in any ads it chooses to place for six months. The complaint alleged that the company did not have reliable scientific evidence for its claims that its products cure acne. Hayoun also agreed to have two well-controlled scientific studies conducted before making effectiveness and superiority claims.

Commercial Lighting Products, Inc.

This firm agreed not to ship unordered merchandise or bill for such

merchandise under terms of the consent agreement. This New Jersey light bulb and fluorescent tube distributor agreed to confirm all future orders with an acknowledgment form to be mailed to the person placing the order. The complaint alleged that Commercial Lighting misrepresented the cost or amount of merchandise to be shipped and failed to resolve complaints about unordered merchandise.

Hooper Holmes, Inc.

Hooper Holmes' Credit Index Division is prohibited from using certain methods of gathering and reporting information about consumers' credit ratings under the terms of this consent agreement. The New Jersey credit reporting agency also agreed to stop using its "summary item" and "summary activity item" reports. The complaint alleged that these publications reported on specific addresses, rather than individuals, and resulted in denying credit to some people because of credit ratings of neighbors, relatives and former residents. The complaint also alleged that Credit Index failed to ensure the accuracy of information in these reports, which had a high potential for error. The company also agreed to provide consumers copies of their files upon request.

Fred Meyer, Inc.

This Northwest discount retailer agreed to refund money to customers who did not complete layaway purchases or who had a credit balance, or were due refunds on their charge account. The complaint alleged that Fred Meyer improperly retained money due these customers and did not inform layaway or charge customers of their rights to refunds. Fred Meyer agreed to notify by mail all future credit customers who have a credit balance of at least one dollar that they are due a refund. Customers who do not complete their law-away purchases also will be told that they can get a refund of their money, less a minor service charge, or that they can complete their purchases in ten days.

Bill Crouch Foreign, Inc.

This Boulder, Colorado auto dealer will make refunds to Honda Accord owners who allegedly were overcharged for delivery costs, under the terms of this consent agreement. The complaint alleged that the firm had customers pay freight charges that exceeded the actual cost of transporting the cars to the dealer's showroom. It also alleged that Crouch gave customers a false impression that dealer-installed options, such as undercoating, were required or recommended by the manufacturer.

Terrance D. Lesko, M.D.

This California physician agreed not to advertise or perform hair implants, and to include a safety warning in advertisements for other hair-replacement treatments, under terms of this order. The complaint alleged that Dr. Lesko falsely advertised that hair implants are safe and effective for baldness or thinning hair, when in fact implants are likely to promote infection or cause further hair loss. Dr. Lesko may apply to the FTC for permission to resume advertising and to perform hair implants if he can show that they will be done safely and effectively. He may continue to advertise and perform other hair replacement processes, such as transplants, if he includes in the advertisements for one year a statement that implants are medically unsafe and that he does not do them. If he does continue to perform the other treatments, Dr. Lesko must place at least \$8,000 in advertising in certain Los Angeles newspapers saying that "hair implants are unsafe" and that the FTC recommends seeking medical advice on baldness "cures."

Beneficial Finance Company

Consumers in 15 states who are making payments to Beneficial Finance Company must be told the finance company wrongly tried to limit their rights, under terms of this consent agreement. The complaint alleged that Beneficial falsely advised consumers in some states they had only a limited time in which to exercise their rights against Beneficial, which holds their credit contracts, for any failure by the seller to live up to the purchase agreement.

THIS PAGE MISSING FROM ORIGINAL

PRELIMINARY INJUNCTIONS

COMPETITION MISSION

Mannesmann A. G.

The Commission sought a preliminary injunction to block a planned takeover of Harnischfeger by a West German firm, Mannesmann AG. The complaint charged that there was reason to believe the proposed \$245 million acquisition would violate Federal antitrust laws. According to the complaint, the proposed acquisition would reduce competition in the production and sale of electric wire rope packaged hoists, which often are incorporated in crane and monorail systems as a source of lifting power; two types of industrial cranes; several types of power digging tools for mining; and lattice boom construction cranes. The complaint further charged that the markets for each of the products in question are concentrated. Before the Federal district court could act on the Commission's request, the parties abandoned their planned merger.

Transamerica Corp.

The Commission on 3/25/80 authorized the staff to seek a preliminary injunction. Before court papers were filed, the parties abandoned the acquisition, which involved certain operating assets of Hudson General Corporation. The product market involved container leasing for "piggy-back" cargo transportation by truck and rail.

CONSUMER PROTECTION MISSION

Southwest Sun-sites, Inc.

The Commission's application for a preliminary injunction charged that the defendants falsely represented that the land they were offering for sale was a good investment involving little or no financial risk, and that the land was suitable for homesites, farms, ranches or commercial development. The Commission asked the court to require three land development companies to place in escrow all future payments received for some 40,000 acres in West Texas that were sold using these allegedly false and misleading claims. The Commission also asked the court to prohibit such claims by the developers. The Commission's complaint alleged that purchasers of the lots probably will be unable to sell them at or above the purchase price. The complaint adds that the land is not useful for homes or farms because water, utilities and other "amenities" are

unavailable or are prohibitively expensive. The FTC's application charges that, through further deceptive practices after the sales were consummated, the defendants continued to induce purchasers of lots in the subdivisions to make payments due on their contracts. The district court partially granted the Commission's request, and issued a temporary injunction prohibiting misrepresentations pending completion of the Commission's administrative trial against the firm.

PERMANENT INJUNCTIONS

CONSUMER PROTECTION MISSION

United Laboratories of America, Inc. .

The Commission sought a court order to permanently prohibit this Cleveland-based company from selling and inserting hair implants as an alleged cure for baldness, and sought to require the company to provide refunds to consumers who received the implants. The complaint alleged that the procedure is ineffective and has had an unacceptably high record of severe infections and other medical problems. According to the complaint, the hair implant process involves insertion of synthetic or natural fibers, which simulate hair, into the scalp. The complaint charges that more than 2,000 consumers have purchased the treatments since 1976, at an average cost of \$2,500. The Commission complaint alleges that the potential physical harm to the public from this hair implant process is substantial, and that patients have developed severe pain, serious infections, and have suffered extensive scarring and other medical complications as a result of the implant procedure.

H. N. Singer, Inc.

The Commission's complaint charged that H. N. Singer has sold worthless frozen pizza distributorships to at least 60 investors who each have been defrauded of as much as \$100,000. The Commission is seeking restitution for customers' losses and a permanent injunction against the practices. The complaint alleges that Singer violated the Commission's Franchising and Business Opportunity Trade Regulation Rule by failing to disclose the true nature of the business it was offering. The complaint charges that Singer belatedly shipped its frozen pizzas and "Hot Box product ovens" after serious delay, but provided little if any promised company support. The complaint charges that retail accounts, to be secured by the defendant, mostly were worthless. The majority allegedly purchased few, if any, pizzas with many often lacking sufficient freezer space for the product. Misrepresentations also were charged concerning the cost and availability of freezer space, the availability of training, the company's stability and many other circumstances surrounding Hot Box products distributorships. The Commission meanwhile obtained a temporary restraining order from the court, freezing the assets of Singer and four named individual defendants, and prohibiting violations of the FTC Franchising and Business Opportunity Rule.

THIS PAGE MISSING FROM ORIGINAL

CIVIL PENALTY ACTIONS

COMPETITION MISSION

Gulf Coast Builders Exchange, Inc.

The civil penalty complaint charged this organization of Florida general contractors and subcontractors with illegally adopting measures to pressure its members to deal exclusively with other members, in violation of an FTC cease and desist order. Gulf Coast allegedly reinstated a set of rules banned by the consent order. Before the 1977 order became effective, Gulf Coast allegedly had rules that required its members to operate exclusively within its own bid depository. The depository collected sealed bids from member subcontractors on work such as electrical, plumbing and air conditioning contracts. These bids would be opened on a prearranged date and then used by member general contractors to prepare bids for construction contracts. Under the rules banned by the order, subcontractors who were members of the depository could not submit bids to general contractors who were not members, and general contractors could not accept bids from nonmember subcontractors. According to the current complaint against Gulf Coast, the bid depository was replaced by an "estimating service," whose fee structure achieved the same exclusionary effect. The complaint states that the standard estimating fee charged a member whose estimate is placed outside the service usually is much higher than the contract fee charged through a subcontractor whose estimate is placed through the service. The complaint seeks civil penalties from Gulf Coast and eleven of its officers and directors, as well as an injunction prohibiting future violations.

CPC International, Inc.

The refiled civil penalty complaint against eight corn refiners charged them with several price controlling measures, all banned by a 1950 FTC order. The suit is similar to one filed in December 1979 at the FTC's request by the Justice Department, but dismissed without prejudice by a federal court in April 1980. The new complaint, like the one that was dismissed, seeks civil penalties from the companies, as well as an injunction prohibiting future violations. In addition to refiled the complaint, the Justice Department appealed the dismissal.

United States Steel Corp.

Four major steel makers agreed to pay \$440,000, one of the largest civil penalties in FTC history, to settle charges that they violated a Commission order by fixing prices on certain steel products used in building construction. United States Steel Corp., Bethlehem Steel Corp., Laclede Steel Company and Armco Steel Corp. allegedly violated a 1951 FTC order by conspiring to set and maintain prices of reinforcing steel bars sold in Texas. Steel bars are used to reinforce concrete structures in buildings, bridges and highways. According to the complaint, the four companies divided up the business in various geographic areas, with each company receiving a percentage. The companies also were charged with collusive bidding on contracts, by agreeing not to bid on contracts below a certain tonnage if smaller companies agreed not to bid on larger contracts. The complaint alleged that this arrangement was part of the overran scheme to fix prices.

CONSUMER PROTECTION MISSION**National Siding Corp.**

The Commission filed a civil penalty complaint charging that National Siding and its officers engaged in the advertising and sale of home improvement products using practices prohibited by previous Commission determinations. These practices included the use of bait and switch and fictitious pricing practices, as well as false claims about the energy-saving qualities of the products sold. The Commission's actions seek civil penalties, consumer redress, and an injunction against further violations of the law. After the complaint was filed, National agreed to settle the case by paying a \$10,000 civil penalty and by agreeing to an injunction barring such actions in the future.

Dixieland Construction Company, Inc.

Dixieland agreed to a civil penalty consent judgment providing for the payment of \$10,000 to settle charges that it used bait and switch, fictitious pricing, and false energy-savings claims to sell residential aluminum siding. The Commission's complaint alleged that the company violated the law after receiving notification that these practices violated prior Commission decisions and that violations by the firm make the firm subject to civil penalties. In agreeing to the consent settlement, the company agreed not to engage in such violations in the future.

Modern Home Improvement Corp.

Modern agreed to a civil penalty consent judgment providing for the payment of \$10,000 to settle charges that it used bait and switch, fictitious pricing, and false energy-savings claims to sell residential aluminum siding. The Commission's complaint alleged that the company violated the law after receiving notification that these practices violated prior Commission decisions and that violations by the firm make the firm subject to civil penalties. In agreeing to the consent settlement, the company agreed not to engage in such violations in the future.

Nationwide Construction Company, Inc.

Nationwide agreed to a civil penalty consent judgment providing for the payment of \$10,000 to settle charges that it used bait and switch, fictitious pricing, and false energy-savings claims to sell residential aluminum siding. The Commission's complaint alleged that the company violated the law after receiving notification that these practices violated prior Commission decisions and that violations by the firm make the firm subject to civil penalties. In agreeing to the consent settlement, the company agreed not to engage in such violations in the future.

Tri-Texas, Inc.

Tri-Texas, the manufacturer of a liquid tire sealant and balancer called Tru-Ride, agreed to pay a \$25,000 civil penalty to settle charges that it made numerous misrepresentations to its distributors about the product and about the distributorship arrangement. The Commission's complaint alleged that Tri-Texas misrepresented to prospective distributors the earning potential in selling Tru-Ride. In addition to imposing the civil penalty, the consent judgment includes an agreement that will prohibit the company from making any prediction of the profits to be made from selling Tru-Ride, or the volume of sales to be expected.

First Federal Credit Control, Inc.

The Commission filed a complaint seeking an injunction and civil penalties against this debt collection agency for alleged violations of the Fair Debt Collection Practices Act. The Commission's complaint alleges that First Federal, which collects allegedly delinquent debts in the Cleveland metropolitan area, failed to inform consumers of their right to dispute and obtain verification of a debt, as required by law. The complaint also alleges that First Federal threatened legal action when in fact the company had

neither the intention nor the authority to sue consumers, used form letters that appear to be legal papers, when in fact they are not, and used harassing or abusive language in telephone calls to consumers.

American Collection Systems, Inc.

The Commission is seeking an injunction requiring this Florida debt collection agency to pay a civil penalty for alleged violations of the Fair Debt Collection Practices Act. The Commission's complaint alleges that American uses both dunning notices and telephone calls to collect debts for its clients, and further alleges that American makes inconvenient and harassing telephone calls to consumers, which include the use of abusive or obscene language. The complaint further alleges that American falsely represented that its employees are attorneys, that it is a consumer credit reporting agency that provides information to potential lenders, that it threatens to take action against debtors, when in fact it has neither the authority nor intention to do so, and that it improperly communicates with third parties, such as employers, about consumers with allegedly delinquent debts.

Haband Company, Inc.

This mail order men's clothing and shoe company and its president have agreed to pay a \$30,000 civil penalty to settle alleged violations of the Commission's Mail Order Merchandise Trade Regulation Rule. The complaint alleges that Haband failed to provide revised shipping dates to customers when there were delays in the delivery of merchandise, failed to notify customers that instead of waiting for delayed merchandise they could cancel orders and receive full refunds, and failed to provide postage-paid cards or envelopes to help customers exercise this option. The judgment, in addition to the civil penalty, enjoins the company and its president from any future violations of the rule.

National Talent Associates, Inc.

Three commonly owned talent agencies agreed to pay a \$25,000 civil penalty to settle charges that they misrepresented the placement and employment figures and gross annual earnings of persons under contract to them. The FTC alleged that these misrepresentations violated a 1975 cease and desist order which required NTA to compile and disclose to prospective clients certain information including the number of people who contracted with NTA for the two previous years, the number and percentages of these people who have obtained paid employment through NTA, and the num-

ber of people under contract with NTA by specified categories and gross annual earnings derived from paid employment as entertainers, models, actors or actresses. The Commission's complaint alleges that figures used by NTA were substantially higher than the actual placement, employment and gross annual earnings experienced by their clients. In addition to the civil penalty, the judgment prohibits NTA from violating the provisions of the order in the future.

Britene International Textile Corp.

This New York-based fabric importer agreed to a \$20,000 civil penalty to settle charges that it mislabeled wool and textile products after being informed that doing so violated the law. Under the terms of the consent decree, Britene agreed not to misbrand wool products, misbrand or falsely or deceptively advertise textile fiber products, or distribute imported wool and textile fiber products, unless they are tested for fiber content and relabeled if the tests show the labels are inaccurate.

Neighborhood Periodical Club, Inc.

In a consent judgment to settle charges that it violated a 1972 FTC order, Neighborhood Periodical Club agreed to give all future phone customers the right to cancel their orders. Phone sales customers must be given written statements before their time to cancel expires. In addition, the company agreed to pay a \$150,000 civil penalty. Neighborhood was charged with several violations of the Commission's original order, including misrepresenting solicitation purposes of phone sales, failing to disclose cooling off provisions by which orders can be canceled, and deceptive debt collection practices.

Intaltex Ltd.

This women's coat manufacturer and importer agreed to have an independent laboratory test the fiber content of its coats and to relabel mismarked ones, under terms of this consent judgment. The firm and its president also agreed to pay a \$15,000 civil penalty for alleged violations of the Textile Fiber Products Identification Act. The complaint alleges the firm overstated the wool content of its coats and falsely and deceptively labeled the percentage of other fibers in nonwool coats.

United Compucred Collection, Inc.

This Ohio debt collection agency agreed to pay a \$15,000 civil pen-

alty to settle FTC charges that it violated Federal law and a 1976 order issued by the Commission. United prepares and mails a series of form notices, letters and printed materials to consumers who are allegedly delinquent in paying money to a third party. The complaint alleges that the company used letters or envelopes that misrepresented the nature or urgency of the communication, and represented that legal action was imminent when in fact none was contemplated. The complaint alleges that these actions violate the Fair Debt Collection Practices Act, as well as the 1976 order. Under the consent decree, United has also agreed to an injunction barring further violations of both the Commission's order and the Fair Debt Collection Practices Act.

Mod-Maid Imports, Inc.

This coat importer, which allegedly used inadequate care instruction labels on its coats, has agreed to base its care instructions on actual tests under terms of this consent judgment. Mod-Maid allegedly violated the Commission's Trade Regulation Rule on Care Labeling and Textile Wearing Apparel. It allegedly gave incomplete instructions by failing to say non-routine drycleaning procedures were required to prevent damage. The company also agreed to pay a \$25,000 civil penalty.

Capital Credit Corp.

Capital Credit, one of the nation's ten largest debt collection agencies, agreed to pay a \$75,000 civil penalty to settle charges it illegally harassed debtors. The Commission's complaint charges that Capital violated the Fair Debt Collection Practices Act by using harassing or abusive language over the phone to consumers or third parties such as employers or friends; by communicating or threatening to communicate to third parties, such as employers, neighbors, friends or family, that the consumer owes a debt; by seeking information about individuals not permitted by law; by calling consumers without disclosing the caller's identity and purpose of the call; by sending misleading dunning notices concerning the debt; and by making unfair and deceptive claims about what would happen if the debt were not paid. In addition to the civil penalty, Capital also agreed not to violate the Fair Debt Collection Practices Act in the future.

Exxon Corp.

Exxon agreed to pay a \$100,000 civil penalty to settle Commission charges it violated the credit and sales rights of buyers of its heating oil furnaces. The Commission's complaint alleges that Exxon

denied customers rights under the FTC's Holder-In-Due-Course Rule, and illegally failed to give furnace buyers the opportunity to cancel the sales contracts. The Holder Rule applies when a person makes a credit purchase and the credit contract is later acquired by a finance company, bank or other party. The rule provides the consumer with the same rights against the holder of the credit contract as against the seller. Thus, if a consumer has a right under state law to withhold payment from the seller because the product is defective, the creditor cannot force the consumer to pay. The settlement requires Exxon, before selling any credit contracts to a third party, to amend the contracts to include this holder notice. The judgment also requires Exxon to include in contracts sold other than in the seller's place of business the notice that the buyer has three days in which to cancel the purchase. To compensate customers who allegedly purchased furnaces without being informed about the cooling off period, Exxon is required by the consent to give up any claim to title or lien on furnaces purchased on credit.

American Creditors Bureau

This major debt collection organization was charged in the complaint with abusive, deceptive and unfair debt collection practices, in violation of a 1974 Commission cease and desist order and the Fair Debt Collection Practices Act. The complaint alleges that American violated the 1974 order by representing that legal action would be taken against debtors when such action was not authorized or intended, or falsely represented that failure to pay would result in criminal action, that the firm falsely represented that the company would garnish the wages or attach the property of alleged debtors, that the firm phoned customers at work after being asked not to do so, and that the firm communicated or threatened to communicate to employers and others that the consumer owes a debt. The complaint asked the court to prohibit future violations of the order and the Fair Debt Collection Practices Act, and to impose civil penalties of up to \$10,000 per violation.

Amoco Oil Company

Amoco agreed to a civil penalty of \$200,000 to settle charges that it illegally discriminated against blacks, Hispanics and women applying for credit. In addition, Amoco agreed to offer credit cards to qualified consumers who previously were denied them. The complaint alleges that Amoco used consumers' zip codes as one factor in determining whether to grant them credit. This in effect discriminated against blacks and Hispanic applicants, according to

the complaint. The complaint alleges the company also discriminated against women on the basis of sex and marital status by failing to consider the amount and source of income from alimony, child support, separate maintenance payments or part-time work, on the same basis that it considered income from other sources.

Anthony Abraham Company, Inc.

This Miami Chevrolet dealer agreed to a \$25,000 civil penalty to settle charges it violated the Commission's Holder-In-Due-Course trade regulation rule. The complaint charges Abraham violated the rule by failing to preserve for some credit customers the same rights against the institutions that hold their credit contracts as the rights they have against the dealer. At other times, the complaint alleges, the company included provisions in its installment plan contracts that interfered with the exercise of these rights. The consent judgment also enjoined Abraham from future violations of the rule.

Raymond M. Paron

Paron, the owner of the company that sold hair implants, agreed to a \$1,000 civil penalty to settle allegations he failed to insure that prospective customers consulted doctors about the risk of infection and scarring associated with the procedure. The complaint alleges that Paron violated a 1974 FTC consent order by misrepresenting that the synthetic fibers used closely resemble natural hair, and that they can be cared for like natural hair, and by failing to get a required doctors certificate from each customer in advance of the surgery. The agreement also prohibits Paron from violating the order in the future, and from advertising or selling hair implants unless he can demonstrate that the process is safe and effective.

Downing Associates, Inc.

This Rhode Island home builder agreed to a \$10,000 civil penalty to settle charges it allegedly failed to give the annual percentage rate of home loans in its ads. Downing agreed to conform its credit ads to requirements of the Truth-In-Lending Act and its implementing regulation, Regulation Z.

Keystone Reader's Service, Inc.

To settle charges that this magazine subscription company failed to advise consumers of certain cancellation rights, the company agreed to establish a \$92,500 refund pool and to pay a \$50,000 civil

penalty. The Commission's complaint alleges that Keystone violated a 1971 Commission consent order by failing to tell subscribers that orders could be canceled, by failing to provide understandable cancellation forms, by misrepresenting the sales purpose of phone calls, and by misrepresenting terms of the contract and engaging in unfair debt collection practices. On future telephone sales, Keystone must tell subscribers, orally and in writing, the terms of their order and their cancellation rights. In addition to the redress and the civil penalty, the consent decree also prohibits Keystone from future violations of the 1971 order.

Georgia Telco

This Georgia credit union agreed to stop denying loans to pregnant members because these members would be taking maternity leave. Georgia Telco, one of the state's largest credit unions, allegedly had a policy of denying loans to any member who anticipated taking leave, including maternity leave. The Commission's complaint alleged that the policy affected women disproportionately and was in violation of the Equal Credit Opportunity Act. The credit union also was charged with unlawfully assuming that women anticipating maternity leave would stop working, thereby decreasing their income and making them poor credit risks. The credit union agreed to pay a \$10,000 civil penalty and is barred from using maternity leave as a basis for denying loans. In addition, the credit union must notify members that it has changed its policy and will consider maternity leave pay in evaluating credit obligations.

Financial Data Corp.

This Virginia-based debt collection agency and its officers agreed to pay a \$20,000 civil penalty to settle charges they automatically added illegal fees to consumer debts. Financial Data, and the company it succeeded, MacMan Financial Services, Inc., have withdrawn from the debt collection industry, but agreed not to transfer its computer program to other firms. The complaint alleges the companies' actions violated the Fair Debt Collection Practices Act, by charging fees not expressly authorized by the loan contractor by law, by failing to inform consumers of their rights to dispute and have the company verify debts, and by threatening to take legal action against consumers when such action was not intended or authorized. In the agreement, the companies are prohibited from future violations of the Act.

Tasemkin's Furniture House

This Chicago furniture retailer agreed to pay a \$20,000 civil penal-

ty to settle charges that its contracts with consumers failed to tell consumers accurately the dollar amount and the annual percentage rate of the finance charge. The complaint alleges Tasemkin's allegedly understated or omitted one or both of these figures in the contracts consumers signed. As a result, the complaint alleges, many consumers paid a higher finance charge than their contracts called for. The complaint alleges that the annual percentage rate was understated, in some cases, by as much as 10%. The agreement requires the firm to contact consumers who may be eligible for refunds of alleged overcharges, and to revise outstanding contracts so it does not overcharge customers who are still paying.

Tri-West Construction Company

This Boise, Idaho aluminum siding company agreed to pay a \$2,000 civil penalty for allegedly violating a 1975 FTC consent order that required it to tell customers it can put liens on their homes for failure to pay bills. The consent decree also bars future violations of the 1975 order.

ADMINISTRATIVE COMPLAINTS

COMPETITION MISSION

Central Florida Electrical Bid Depository, Inc.

The Commission's complaint alleges that some of the rules of this bid depository established by Florida electrical contractors served to fix prices the bid depository collects sealed electrical contracting bids from its members, who are most of the electrical contractors in the Orlando area. These bids are opened on a prearranged date and then are used by participating general contractors to prepare construction contracts. The complaint alleges that bid depository rules restrict price competition by, among other things, prohibiting "bid shopping" and "bid peddling." The complaint also alleges that both of these rules help create a group boycott against general contractors and electrical contractors who engage in bid shopping or bid peddling.

Boise Cascade Corp.

The Commission's complaint alleges that Boise Cascade knowingly received illegal discriminatory discounts from office-products supplies. The Idaho based company purchases office supplies from manufacturers and resells them both to retail dealers and to large commercial users. In selling to commercial users, Boise competes against retail dealers who buy from the same manufacturers, according to the complaint. The complaint also alleges that, on goods purchased for resale to commercial users, Boise's office products division receives discounts that are not available to other retail dealers, giving Boise a competitive advantage. Discriminatory prices or discounts on sales by a common supplier to competing buyers are illegal under the Robinson-Patman Act, if they could substantially reduce or harm competition. One provision of the Act prohibits the knowing acceptance of illegal discriminatory prices or discounts by a purchaser.

B.A.T. Industries, Ltd.

The Commission's complaint challenges the takeover by B.A.T. Industries, Ltd. of NCR Corp.'s Appleton Papers Division as eliminating the potential for competition between the two firms involved in the production and sale of chemical carbonless paper. Chemical carbonless paper, used primarily to make business forms, is a pressure-sensitive paper that allows a writer to make several copies, without carbon paper. The London-based B.A.T. acquired Appleton in 1978 for \$280 million. The complaint alleges that

Appleton, at the time of the acquisition, was the world's largest producer of chemical carbonless paper, and B.A.T. was the world's second largest producer. While B.A.T. did not market chemical carbonless paper in the United States before the acquisition, the complaint alleged that it was likely that B.A.T. would have entered the U.S. market through other means if it had not acquired Appleton.

Gould, Inc.

The Commission's complaint alleges that the firm shared directors with competing companies. The complaint alleges that Gould competes with Midland-Ross in the manufacture of various electrical related hardware, and with Narco Scientific, Inc., in the production of certain electronic medical devices. The complaint alleges that Gould shared one director with Midland-Ross, and a second director with Narco.

Massachusetts Furniture and Piano Movers Association, Inc.

The complaint alleges that this trade association of Massachusetts moving companies combined illegally with its members to set rates collectively. The association, which promotes the intrastate moving industry, sets and files rates for transporting goods with the Massachusetts Department of Public Utilities on behalf of its members, according to the complaint. The association also is charged with trying to persuade members to raise rates or charge uniform rates, thus depriving consumers of the benefits of competition.

Texas Dental Association

The Commission's complaint alleges that the Texas Dental Association conspired to withhold X-rays from insurance companies that use them to evaluate planned treatments in order to hold down dental care costs. The association is alleged to have violated antitrust laws by inducing its members - who included some 5,500 dentists and dental students - not to cooperate with the insurance companies in cost-cutting programs. Such programs typically involve insurance company review of X-rays and the dentist's diagnosis prior to any costly, non-emergency treatment. The company then limits its benefits to the least expensive, yet adequate, treatment. The complaint alleges that the association encourages members to deal with insurers only on terms set by the association. The complaint further charges that the association insisted insurers sign "memoranda of understanding," setting up procedures for dealing with association members. These memoranda included a

requirement that disputes be settled by association committees and consultants. As a result, the complaint charges, competition among dentists and among insurers have been reduced, possibly raising costs to consumers of both dental care and dental insurance.

Hughes Tool Company; Big Three Industries, Inc.; and Ben Love

The Commission's complaint alleges that these two competing Houston-based companies unlawfully shared a common director. The complaint alleges that the firms compete in certain oil field service markets and in the manufacture of several types of oil field equipment.

Russell Stove Candies, Inc.

The Commission alleges that this major manufacturer of boxed candies fixed retail prices for its products, and refused to do business with companies which discount. The complaint also charged that, as a result of the company's alleged policy of refusing to deal with retailers who charged less than the manufacturer suggested prices and its communication of this policy to its dealers, Russell Stover candy is sold at or above the suggested prices virtually everywhere. The complaint alleges that through these actions Russell Stover unlawfully agreed with its retail dealers to fix prices.

Champion Spark Plug Company

The Commission's complaint alleges that Champion's acquisition of the Anderson Company, the nation's largest manufacturer of replacement windshield wiper products, violated Federal antitrust laws. The complaint charges that, had Champion not acquired Anderson, there was "a reasonable probability" that it would have begun itself to sell replacement windshield wiper products in the United States or would have acquired a smaller firm that did so. These alternatives would have increased competition in the highly concentrated \$62 million market, but were foreclosed by the acquisition, the complaint charges.

Dairymen, Inc.

The Commission's complaint alleges that Dairymen's acquisition of Farmbest Foods, Inc., reduced competition among milk processors in parts of the Southeast. Dairymen, a major milk marketing cooperative with approximately 6500 farmer members in 14 states, bought Farmbest in 1978 and then combined Farmbest with Flav-O-Rich, a Dairymen dairy processing subsidiary. The complaint alleges the acquisition eliminated the competition in the processing

and sale of fluid milk between Farmbest and Flav-0-Rich, in the metropolitan areas of Birmingham and Montgomery, Alabama; Columbus, Georgia; Knoxville, Tennessee; and the "tri-city" Johnson City-Kingsport-Bristol, Tennessee area. The complaint also alleges that the acquisition increased already high levels of concentration in the processing and sale of fluid milk in those areas.

Dr. Sherman A. Hope, et al.

The Commission's complaint alleges that health care delivery was reduced when five doctors in Brownfield, Texas threatened to boycott the local hospital if it hired a new doctor on financial terms they did not find acceptable. The five doctors, the only ones in actual practice in the town, threatened not to perform their emergency room work at the hospital in an attempt to prevent the Brownfield Regional Medical Center from recruiting a new doctor, according to the complaint. The complaint also alleges that the doctors threatened not to give or accept referrals from the newly hired doctor. The complaint further alleges the doctors did not challenge the new doctor's qualifications or the need to hire more staff, but opposed the salary which the hospital proposed to pay the new doctor.

Lehigh Portland Cement Company

The complaint alleges Lehigh's proposed takeover of U.S. Steel Corporation's cement producing division would violate Federal antitrust law by reducing competition in the manufacture and sale of portland cement in the Midwestern United States. Portland cement is used primarily as an ingredient in the production of concrete and concrete products. According to the complaint, U.S. Steel's Universal Atlas Division has plants in Buffington, Indiana and Hannibal, Missouri which sell portland cement in the midwest in competition with Lehigh plants in Mason City, Iowa and Mitchell, Indiana.

Xidex Corporation

The Commission's complaint alleges that the acquisition by Xidex of two companies may have substantially reduced competition in the duplicating microfilm market. According to the complaint, Xidex manufactures and sells two types of non-silver microfilm used to make duplicates or original microfilm photographs. The films are known as diazo and vesicular microfilm. The complaint charges that Xidex purchased from Scott Paper Company its Scott Graphics division diazo-microfilm business, allegedly raising the

Xidex share of the diazo duplicate microfilm market from about 40 % to about 56 %. The complaint further alleges that Xidex purchased the assets of Kalvar Corp., a manufacturer of vesicular microfilm, in 1979. This acquisition raised Xidex's share of the vesicular non-silver duplicate microfilm market from 67 % to nearly 93%. The complaint also alleges that these two purchases significantly increased Xidex's share of the entire non-silver duplicate microfilm market and made it increasingly difficult for other companies to enter that market. The complaint also charges that Xidex's acquisition of Kalvar's technology and patents may tend to create a monopoly in the vesicular duplicate microfilm market, in violation of the Clayton Antitrust Act and the FTC Act.

CONSUMER PROTECTION MISSION

Teledyne, Inc.

The Commission's complaint alleged that Teledyne, the manufacturer of Water Pik, and its advertising agency made unsubstantiated or false claims in advertising the product. The complaint charges that the firms, without a reasonable basis, claimed that the Water Pik significantly contributes to the prevention of gum disease when used with other methods of dental care, that the use of Water Pik alone will significantly reduce the chances of getting gum disease, and that 4 out of 5 dentists recommend this product to prevent gum disease. The complaint also alleges that the firms falsely claimed that Water Pik is approved by the American Dental Association. The complaint charges that the survey of dentists was not designed, conducted or analyzed in accordance with accepted survey standards, and that the Water Pik was not approved by the American Dental Association at the time Teledyne ran certain advertisements claiming it was approved.

Southwest Sunsites, Inc.

The complaint alleges that the firm offered for sale and sold West Texas land using false and deceptive claims about its value as investments, and building sites. The complaint also alleges the firm falsely claimed that the land is a good investment involving little or no financial risk and that it is suitable for homes, farms or ranches. In fact, the complaint alleges, purchasers probably will be unable to sell their lot at or above the purchase price. The lots are not useful as building sites, the complaint alleges, because water, utilities and other amenities are unavailable or prohibitively expensive and because the firm failed to make "promised improvements."

General Motors Corp.

The Commission's complaint charged that General Motors failed to notify customers of potential transmission and engine problems in at least 4 million cars. The transmission identified in the complaint is in at least 4 million GM cars and affects most of the company's product lines. An unrelated problem of alleged premature camshaft wear involves the 305 and 350 cubic inch V8 engines used in several models. The 350 cubic inch V8 Oldsmobile diesel engine built between 1975 and 1980 also is cited in the complaint, which alleges that fuel injection pumps or fuel injectors in these engines are subject to defects and that certain maintenance information was withheld from owners. Failure of the automatic transmission cited in the complaint, the THM 200, can cost as much as \$600 to repair, and repeated failures have been reported, according to the complaint. According to the complaint, the camshaft problems primarily are the result of using motor oils that do not provide sufficient wear protection. Finally, the complaint alleges that maintenance information withheld from owners of the diesel engine includes notice about the dangers of water in the fuel system and measures to prevent fuel system contamination.

PART III (Adjudicative Stage)
CONSENT AGREEMENTS ACCEPTED
AND PUBLISHED FOR PUBLIC COMMENT

(Part III Consents Accepted For Comment During FF 80 And Subsequently Issued In Final Form In FF 80 Are Listed In The Following Section)

CONSUMER PROTECTION MISSION

Ford Motor Company

Ford entered into a consent agreement which would establish a system for disclosing to the public information about major engine and transmission repair problems, as well as revealing any post-warranty compensation programs ("secret warranties"). The agreement would settle allegations that Ford knew of piston scuffing, premature camshaft wear and cracked engine blocks. Full page ads will be used to alert owners to the availability of repair and reimbursement information, and will appear in major magazines. Ford also will send a letter to owners of 1979 and 1980 Ford built vehicles alerting them to the existence of repair information and possible post-warranty reimbursement for repairs. This information also will be available by means of a toll free telephone number and will be included in Ford's owners manuals. Ford previously agreed to repair these alleged defects, or reimburse owners who previously paid for these repairs.

THIS PAGE MISSING FROM ORIGINAL

PART III (Adjudicative Stage)
CONSENT AGREEMENTS ISSUED IN FINAL FORM

COMPETITION MISSION

Atlantic Richfield Company,

The Commission gave final approval to a consent agreement with Atlantic Richfield Company (ARCO) which will require the company to divest itself of certain copper mining interests. The Commission required that groups or companies holding between 5 and 10 % of the market may acquire ARCO's properties only with prior approval of the Commission. The order also bans certain further acquisition of copper properties by ARCO from 5 to 10 years after the effective date of the order. The duration of the acquisition ban will depend on the time used by ARCO to complete the required divestitures. The consent agreement settles a complaint that challenged ARCO's acquisition of the Anaconda Copper Company. The complaint alleged that the merger would lessen competition in the copper and uranium industries. All of the properties to be divested under the agreement were obtained by ARCO in the Anaconda acquisition.

Southland Corp.

Southland, one of the nation's largest dairy processors, may not purchase certain additional dairy facilities for the next 7 years without prior FTC approval. Southland in 1979 acquired Knowlton's Inc., of San Antonio, the largest independent dairy processor in the area. The complaint alleged that this acquisition substantially lessened competition for packaged food and milk in the San Antonio area.

National Tea Company

Under terms of the consent order, National Tea will divest 7 grocery stores in the Minneapolis-St. Paul area. The complaint alleged that National Tea's 1978 acquisition of Applebaum's Food Markets reduced competition in the retail grocery industry in the Twin Cities area. Six of the stores to be divested are National Tea stores, and one was an Applebaum's store. National Tea also agreed to purchase for its Twin Cities stores, for at least five years, all frozen foods and at least \$6 million of dry foods per year from May Brothers, a wholesaler that was Applebaum's supplier. National Tea also will buy at least 50% of dry groceries for the Applebaum's stores from May Brothers for at least one year. These consent provisions settle charges that the merger could harm retail

grocery competition by impairing May Brothers' ability to maintain existing prices and services to its remaining retail customers.

CONSUMER PROTECTION MISSION

Atida H. Karr, M.D.

Dr. Karr is prohibited by the agreement from claiming that Acne Statin cures acne, eliminates acne's causes, or is superior to all other acne preparations, unless she has a scientific basis for that claim. The agreement also provides for restitution to consumers who purchased the product.

Irving E. Miller

This consent agreement, which is part of the larger Bankers Life and Casualty Company land sales case, prohibits a variety of unfair and deceptive practices allegedly used to sell Colorado land. Miller, a key official in several of the companies selling thousands of undeveloped lots, was charged with falsely representing the lots were good investments without financial risks, and that the lots were suitable as home sites. Miller is barred, under terms of the agreement, from making these claims unless he can prove they are true. In future ads and contracts, Miller must disclose the risky nature of land investment as well as some of the problems prospective purchasers may face.

Arthur Murray, Inc.

The Commission revised a 1960 consent agreement with Arthur Murray Dance Schools to provide improved cancellation and refund rights for customers. The revised agreement gives consumers the unilateral right to cancel any contract with Arthur Murray. If consumers cancel within three days of signing the contract, they are entitled to a full refund. If they cancel later, they are to receive a pro-rated refund for the unused portion of their payment, minus a "reasonable and fair" service fee. Refunds must be made within 30 days of cancellation. A notice of these consumer rights must appear in their contracts with Arthur Murray. The company also must take steps to ensure that its approximately 190 franchise operations comply with the order. The 1960 agreement bars Arthur Murray from engaging in certain unfair sales practices, including falsely representing that a consumer will receive dancing lessons for free or at a reduced price, or misrepresenting to students what they are expected to pay.

Bell & Howell Company

Under this order, some 17,000 former students of Bell & Howell Correspondence Schools may receive full or partial refunds of their tuition from a \$1.2 million escrow account established by the company. Bell & Howell agreed to make refunds to some students who have enrolled in accounting, television repair and electronics courses since January 1, 1971. The complaint leading to the consent agreement alleged that Bell & Howell made false and misleading statements in its advertisements and sales presentations about job opportunities and salaries for graduates, and failed to inform students that they had a right to cancel and receive a refund.

General Motors Corp.

General Motors and General Motors Acceptance Corp. will refund \$2 million to consumers who should receive money back after their repossessed cars or trucks were sold. GMAC is a credit subsidiary of General Motors Corp. The complaint alleged that GMAC often conducted "sham" sales of repossessed motor vehicles, denying customers surpluses to which they were entitled. GMAC will refund from \$25 to \$700 to consumers who should have received the surpluses on cars and trucks repossessed from May 1974 to the present. In the future, GMAC also will inform defaulting customers of their right to surplus, and will revise their retail installment contract forms.

THIS PAGE MISSING FROM ORIGINAL

INITIAL DECISIONS

COMPETITION MISSION

Indiana Federation of Dentists

The initial decision found that the Indiana Federation of Dentists was merely a "front" for dentists illegally conspiring to boycott dental health insurance companies. The Administrative Law judge ordered the dissolution of the Federation. The ALJ found that the organization conspired with dentists to refuse to supply dental X-rays to insurance companies. In order to keep costs down, many dental health insurers determine in advance of treatment what benefits will be paid, and cover only the least expensive, yet adequate, treatment. It makes this determination partly on the basis of X-rays. As of 1979, the Federation had about 100 members. The ALJ found that the Federation had told its members that they should not cooperate with insurers by sending them patients' X-rays. The ALJ found that the Federation was formed by some members of the Indiana Dental Association once the latter association came under antitrust scrutiny for its boycott of insurers. The Federation "was conceived simply as a . . . front for those IDA members ... who were most concerned with keeping the IDA boycott of dental insurers alive. . .", according to the decision.

Borg-Warner Corp.

The Administrative Law Judge found that Borg-Warner and Robert Bosch Corp., competed in the sale of automotive replacement parts, and ordered an end to interlocking directorates between the firms. Under the ALJ's order, neither Borg-Warner nor its U.S. subsidiary may share a director with any competitor. In the case of the Bosch companies, the order is limited to corporations doing business in the United States. The judge also ordered the individuals involved to resign from either the Borg-Warner board or the boards of both Bosch firms. The Commission's complaint charged that Borg-Warner and Bosch compete in the sale of hydraulic products and automotive air conditioning compressors, as well as in the sale of automotive replacement parts.

Tenneco, Inc.

The Administrative Law Judge dismissed a complaint against Tenneco, Inc., finding that the company's 1977 acquisition of Monroe Auto Equipment Company did not violate Federal antitrust law. Tenneco manufactures parts for vehicle exhaust systems, among other things. Monroe was a leading manufacturer and distributor

of shock absorbers prior to the merger. The complaint alleged that the acquisition eliminated competition between the two companies in the sale of replacement shock absorbers. The complaint also alleged that, if Tenneco had not acquired Monroe, it would have entered the market itself or acquired a smaller marginal firm. This would have increased competition in the highly concentrated industry, according to the complaint. The complaint further alleged that the acquisition strengthened the dominant position of Tenneco in the market for replacement exhaust system parts and of Monroe in the market for replacement shock absorbers. The ALJ found that, since Tenneco's sales of shock absorbers were at best under half a percent, the merger did not eliminate competition in that market. The ALJ also found no evidence that Tenneco was planning to enter the market itself and that there were no shock absorber manufacturers available for purchase that might have provided a viable alternative to the acquisition. Finally, the ALJ concluded that the acquisition did not entrench Monroe's position in the shock absorber replacement market or Tenneco's position in the market for exhaust system replacement parts.

CONSUMER PROTECTION MISSION

Horizon Corporation

The Administrative Law judge found that Horizon Corp. used a deceptive and high pressure sales scheme to sell, usually sight unseen, hundreds of thousands of acres of undeveloped land in New Mexico, Arizona and Texas. The ALJ found that the firm perpetrated a "vicious consumer fraud," appropriating millions of dollars from thousands of unsuspecting consumers for "virtually worthless desert land." The ALJ ordered the company to stop its unfair practices, to take specific measures to protect the rights of future customers, and to inform past purchasers of their options. The ALJ also recommended that the Commission ask a Federal court to order refunds to consumers.

Bristol-Myers Company

The ALJ found that Bristol-Myers' advertising claims that Bufferin, Excedrin and Excedrin P.M. are faster, safer or more effective than aspirin have not been scientifically established. The judge ordered Bristol-Myers to disclose in future advertisements that all three products contain aspirin. Two advertising agencies, Ted Bates and Company, Inc., which handles Bufferin, and Young and Rubicam, Inc., which handles Excedrin and Excedrin P.M., also were ordered to make disclosures in advertisements for those prod-

ucts. Bristol-Myers and Ted Bates also may not make unsubstantiated claims that physicians recommend Bufferin more than any other nonprescription pain reliever.

Sears, Roebuck & Company

The Administrative Law Judge found that Sears' ads that its dishwashers can completely clean dishes, including pots and pans, without prior rinsing and scraping, were false and deceptive. The ALJ's order would prohibit Sears from making this claim in future advertisements, and further would require that if the company's claims for major home appliances are based on tests, that the tests must be "competent and reliable." The ALJ also found that it was unfair and deceptive for Sears to advertise without having any reasonable basis for the claim that items in the top rack of its dishwashers would get as clean as those in the bottom rack. Such representations are prohibited from future advertising.

Century 21 Commodore Plaza, Inc.

The Administrative Law Judge dismissed charges that a major realtor illegally required buyers of its Florida condominiums to enter into long-term leases of recreation facilities. Developments since the complaint issued had made it unlikely the challenged practices will reoccur, according to the initial decision. The complaint was dismissed on a motion from Commission staff attorneys. The FTC staff said new state law, Federal regulations and court decisions have increased protection for condominium buyers against unfair recreational leases. They also noted that owners of Century 21 condominiums have purchased the recreational lease in question as part of a settlement agreement in a private lawsuit.

MacMillan, Inc.

MacMillan, Inc. and its subsidiary, Lasalle Extension University, misled prospective students about the benefits they could expect from correspondence courses, according to the ALJ's initial decision. The ALJ said the companies' advertisements and sales presentations misrepresented the employment prospects and potential earnings of Lasalle's graduates. The companies also failed to disclose information students needed to calculate their financial obligations, the judge found. The ALJ ordered the companies to stop misrepresentations and to include in ads that made claims about jobs or earnings, in type as large as the claim, "graduation from this course does not guarantee you will get a job." If the companies make ad claims about the demand for Lasalle graduates,

their earnings potential or the school's selectivity, the ads also must disclose the information about the experience of past students.

Litton Industries, Inc.

The ALJ found that advertisements for Litton microwave ovens falsely claimed that surveys have shown that that brand is preferred by "independent" service technicians. The ALJ ordered Litton and its subsidiary, Litton Systems, Inc., to stop claiming that its microwave oven is preferred or superior to other products unless the companies have a reasonable basis for making the claim. The judge found the surveys to be fatally defective and that Litton knew or should have known of their flaws.

Montgomery Ward and Company

The Administrative Law Judge's initial decision ruled that Wards violated the Magnuson-Moss Warranty Act by failing to give customers "ready access" to binders containing warranties. The ALJ ruled that Wards failed to comply with an FTC rule, implementing a provision of the Warranty Act, which requires that, if the seller offers a written warranty for a product costing more than \$15, the seller must make the text of the warranty available to customers prior to the sale. The rule sets out four acceptable means of making warranties available, one of which is providing consumers with "ready access" to a binder or a series of binders containing warranties. The seller choosing this option either must display the binders prominently or post prominent signs telling the consumers how to find the binders. The ALJ ruled that if Wards chooses to use the binder system, it must post a sign at each cash register where products covered by the rule are sold. The signs must tell consumers that the warranty binders are available and how to find them.

FINAL COMMISSION ORDERS

COMPETITION MISSION

American Medical Association

The Commission found that the nation's largest organization of doctors unlawfully restrained competition among its members with various restrictions on advertising, soliciting of patients, and contractual practices of members. AMA was ordered to stop imposing such restrictions, but may formulate "reasonable, ethical guidelines" governing deceptive advertising (including unsubstantiated claims) and solicitation of patients vulnerable to undue influence. The decision is based on a complaint which alleged that AMA, the Connecticut State Medical Society and the New Haven County Medical Association, Inc., violated Section 5 of the FTC Act by restricting the ability of their members to advertise for and solicit patients, and to enter into various contractual relationships in connection with offering their services to the public. The order further requires AMA to disaffiliate itself from any state or local medical society that engages in conduct prohibited by the order. The order also forbids any action by AMA that would restrict its members' solicitation of patients by advertising, submission of bids or other means, except for deceptive claims and certain forms of in-person solicitation. AMA also would be prohibited from interfering with either the amount or the form of compensation provided a member in exchange for professional services, would not be permitted to characterize as unethical the use of closed-panel or other health care delivery plans that limit the patient's choice of a physician, and may not characterize as unethical the participation of nonphysicians in the ownership or management of health care organizations that provide physician services to the public.

Brunswick Corp.

The Commission ruled that a joint venture between two manufacturers of outboard motors violated Federal antitrust law. The Commission returned the case to an FTC administrative law judge, directing that he gather evidence indicating what remedies may be necessary. The Commission ruled that Brunswick, its subsidiary, Mariner Corp., and the Yamaha Motor Company, Ltd. entered into an agreement that gave Mariner and Yamaha equal shares of Sanshin, a Yamaha subsidiary that manufactures outboard motors. Under this agreement, all motors manufactured by Sanshin would be purchased by Mariner and Yamaha, but would be marketed in the U.S. only by Mariner. The Commission ruled

the agreement was illegal because it reduced competition in the already concentrated United States market for outboard motors. After the Administrative Law Judge made his remedy recommendations, the Commission ordered Brunswick to sell all its interests in Sanshin to Yamaha within 90 days, and to remove immediately its representatives of Sanshin's Board of Directors. Brunswick, Mariner and Yamaha are barred for three years from acquiring, without prior FTC approval, an interest in any firm manufacturing outboard motors for sale in the United States.

Reuben H. Donnelley Corp.

The Commission ruled that the publisher of the Official Airline Guide unfairly refused to publish the connecting flight schedules of commuter airlines. The Commission ordered Donnelley to list the connecting flights of commuter airlines, but allowed the respondent to continue to list separately the schedules of certified commuter and intrastate air carriers. The Commission decision stated that there are no substitutes for the Official Airline Guide, and that Donnelley therefore is a monopolist in providing flight information. The Commission's opinion stated that Donnelley, as a monopolist, has a duty not to be arbitrary in its dealings with air carriers which sought to have their flight information listed in the OAG. The Commission concluded that Donnelley had acted arbitrarily and caused substantial injury to competition in refusing to list connecting flights for commuter carriers.

BOC International

The Commission dismissed a 1974 complaint challenging BOC's acquisition of Airco, Inc. The complaint charged that the merger could reduce competition in the manufacture and sale of medical equipment used to deliver and administer anesthetic gas. It also charged the merger could reduce competition in the industrial gases market. The Commission had issued a decision in 1975 sustaining the complaint's allegations, and ordered BOC to divest its shares of Airco stock. Subsequently, the United States Court of Appeals for the Second Circuit reversed the Commission's findings on industrial gases, set aside the divestiture order and directed the Commission to reconsider its findings on medical equipment in light of the court's ruling on gases. In March, 1980, the Commission staff and BOC negotiated a settlement of the charges relating to the medical equipment. The Commission determined not to accept the settlement, and instead dismissed the complaint.

Herbert R. Gibson, Sr., et al.

The Commission found that officials of several Gibson corporations had violated provisions of the Robinson-Patman Act involving payment of illegal brokerage fees and had organized an illegal boycott among Gibson-owned and licensed retail stores against manufacturers who refused to pay for participation in the Gibson trade show. The trade show is a private event, held quarterly, in which manufacturers display their wares for buyers from the 614 Gibson stores. The Commission's order bars the Gibson companies and their officials from engaging in illegal brokerage transactions and from boycotting, coercing, intimidating or taking other action against suppliers because they do not appear in the Gibson trade shows.

CONSUMER PROTECTION MISSION

Francis Ford

The Commission found that Francis Ford frequently received surpluses from the resale of repossessed cars, but did not refund them to consumers. The surplus occurs when a repossessed vehicle is resold for more than is needed to recover the amount owed by the debtor, plus reasonable expenses of the resale. The Commission held that the failure of an automobile dealer to repay surpluses as required by state law is an unfair act or practice under Section 5 of the Federal Trade Commission Act. To remedy this violation, the Commission ordered Francis Ford to calculate properly and repay all future surpluses, and identify all surpluses realized back to February 1976 (the date of the complaint), and notify the consumers entitled to such surpluses of their existence. The Commission did not order Francis Ford to pay these past surpluses, but reserved the right to ask a Federal court to order such payment.

George's Radio and Television

The Commission ruled that this Washington, D.C. appliance retailer violated the Magnuson-Moss Warranty Act by failing to disclose and properly label written warranties it offered. The Commission ordered George's to take specific steps to comply with the warranty law, including making certain disclosures about the written warranties and notifying consumers of the availability of warranties by signs in the store. Before any sale, the firm must make available to prospective buyers a text of written warranties offered by George's or by the manufacturer.

Columbia Research Corporation

The Commission found that this firm's offering to consumers of "free" vacations often proved costly, difficult or impossible to accept. The offers were made in mailings that told consumers they were "winners" of vacations. The Commission found that many of these consumers later were told that the vacations involved additional charges for such things as lodging; accommodations and benefits were not always as promised; and stringent conditions were attached to some of the benefits. Among other things, the order bars respondents from making any false or misleading representations to secure sales leads or to sell products or services, from representing that they are conducting a contest where the recipients of their mailings are "winners," unless it is true, from misrepresenting the nature of their business or goods and services or the value of costs of goods and services, and from failing to deliver goods or services within a reasonable time or to fulfill guarantees or warranties offered.

Sears, Roebuck & Company

The Commission ruled that Sears' advertisements claiming its dishwashers eliminate the need for prior rinsing and scraping of dishes were false and deceptive. The Commission found that Sears lacked substantiation or a reasonable basis for making its claims and that, if anything, the tests relied upon by Sears at the time the representations were made demonstrated precisely the reverse - that the Lady Kenmore dishwashers could not ensure that the consumer would not have to scrape or rinse dishes. The Commission's order required Sears to rely on "competent and reliable tests" for all performance claims for major home appliances, including air conditioners, refrigerators, regular and microwave ovens, trash compactors and clothes washers and dryers, as well as dishwashers. The order specifically prohibits the false claims that any Sears dishwasher eliminates the need for prior scraping of dishes, pots and pans, and bars the unsubstantiated claim that dishes at the top of the rack will get as clean as those at the bottom.

Century 21 Commodore Plaza, Inc.

The Commission dismissed charges that this major realtor illegally required buyers of its Florida condominiums to enter into long-term leases of recreation facilities. The complaint was dismissed because circumstances had changed since the complaint was issued. Specifically, the Commission found that owners of Century 21 condominiums had purchased the recreation lease in question as

part of the settlement agreement in a private lawsuit with the company, and that new Florida laws may act as a substantial deterrent to the practices expressed in the complaint.

MacMillan, Inc.

The Commission found that MacMillan and its subsidiary, Lasalle Extension University, misrepresented employment prospects and potential earnings of graduates in its ads and sales presentations. The Commission ruled the companies also failed to disclose information the students needed to calculate their financial obligations. The Commission ordered MacMillan and Lasalle, in making ad claims about job demand for the school's graduates, earning potentials, or the school's admission policies, to disclose information about the experience of past students. Ads making claims about jobs or earnings must state, in type as large as the claim, "graduation from this course does not guarantee you get a job." The order also requires that testimonials in ads reflect typical student experience or state that the experience described is atypical.

THIS PAGE MISSING FROM ORIGINAL

APPELLATE COURT REVIEW
OF COMMISSION ORDERS

Boise Cascade Corp.

On May 9, 1980, the United States Court of Appeals for the Ninth Circuit set aside the Commission's order, which barred softwood plywood manufacturers from continuing to utilize a common artificial system for calculating freight in delivered price systems.

Capax, Inc.

On October 29, 1979, the Court of Appeals for the District of Columbia Circuit affirmed, without opinion, the Commission's order against this debt collection firm.

Equifax, Inc.

On April 4, 1980, the United States Court of Appeals for the Ninth Circuit vacated the Commission's order and remanded this matter for further proceedings, holding that the evidence did not support the product market definition adopted by the Commission in this merger case.

Federal Mogul Corp. and SKF Industries, Inc.

On August 25, 1980, the Court of Appeals for the Second Circuit approved the settlement of a modified cease and desist order proffered by the parties.

Grolier, Inc.

On January 24, 1980, the Court of Appeals for the Ninth Circuit remanded this matter for further proceedings, holding that further discovery or affidavits should be provided by the Commission relating to the question of whether the presiding ALJ had previous ex parte involvement at a pre-complaint stage.

Jim Walter Corp.

On September 12, 1980, the Court of Appeals for the Fifth Circuit vacated the Commission's divestiture order and remanded the matter for reconsideration, holding that the Commission's findings of a national market in asbestos roofing products were not supported by substantial evidence.

Official Airline Guides, Inc.

On September 10, 1980, the Court of Appeals for the Second Cir-

cuit vacated the Commission's order. The court held that the Commission erred in holding that, as a monopolist, the publisher of the Airline Guide had a duty not to discriminate unjustifiably between classes of carriers so as to place one at a substantial competitive disadvantage. The Commission's petition for certiorari has been denied.

Raymond Lee

On May 6, 1980, the Court of Appeals for the District of Columbia Circuit affirmed the Commission's order in Dkt. 9045 which prohibited misleading advertising claims of invention promotion.

SCM Corp.

On January 14, 1980, the Court of Appeals for the Second Circuit affirmed the Commission's order, holding that the Commission had ample justification to enter a cease-and-desist order in an interlocking directorates case. On October 6, 1980, the Supreme Court denied SCM's petition for certiorari.

Trans World Accounts

On August 8, 1980, Court of Appeals for the Ninth Circuit affirmed an order modified pursuant to agreement of the parties. The order issued in this debt collection case had been reformulated pursuant to earlier remand by the Court.

SUPREME COURT REVIEW
OF COMMISSION ORDERS

Encyclopedia Britannica

On March 17, 1980, the Supreme Court denied respondent's petition for certiorari, thus letting stand the Seventh Circuit's decision upholding the Commission's final order.

Jay Norris, Inc.

On December 3, 1979, the Supreme Court denied certiorari, thus letting stand a May 1, 1979, Court of Appeals for the Second Circuit decision affirming and enforcing the Commission's order directed at this mail order firm, including a contested provision of order requiring prior substantiation of advertising claims.

Porter & Dietsch and Pay 'N Save Corp.

On March 31, 1980, the Supreme Court denied petitions by respondents, thus letting stand the Seventh Circuit's decision upholding, with modifications, the Commission's final orders.

ECONOMIC REPORTS

Morkre, Morris E. and David G. Tarr. Effects of Restrictions on United States Imports: Five Case Studies and Theory. Washington: U.S. Government Printing Office, 1980.

This study examines the costs and benefits of restrictions on U.S. Imports. A methodology is developed for assessing costs and benefits, and the methodology is applied to five products - CB radios, color televisions, textiles, non-rubber footwear, and sugar. In each case it is found that the cost of restricting imports - the deadweight loss to the U.S. economy - is substantially greater than the benefits - the losses suffered by workers in a protected industry who would lose their jobs if protection was ended. In addition, the authors find that an orderly marketing agreements bilateral agreement with a producing country to limit the quantity of a good exported to this country - is much more costly to the U.S. economy than is a comparably restrictive tariff.

Kass, David I. and Paul A. Pautler. Physician Control of Blue Shield Plans. Washington: U.S. Government Printing Office, 1979.

In this report the authors examine the presence and importance of the relationships between physician control of Blue Shield plans and (a) the reimbursement limits set for these plans and (b) the administrative costs of the plans. This empirical study concludes that physician control is associated with higher reimbursement ceilings. No evidence was found to support the hypothesis that plans controlled by physicians had greater administrative efficiency than plans which were not so controlled.

Statistical Report on Mergers and Acquisitions. Washington: U.S. Government Printing Office, 1980. (Reports, mergers and acquisitions for 1978).

This statistical report is part of an annual series, reporting merger information in four areas: Overall Merger Series, Large Merger Series, Joint Venture Series, and Foreign Merger Series.

Quarterly Financial Report. Washington: U.S. Government Printing Office, 1979 and 1980.

These four statistical reports present the quarterly performance of U.S. corporations in the manufacturing, mining, and trade sectors. Income statement and balance sheet data are presented by industry and by size class.

Siegfried, John J. (editor). *The Economics of Firm Size, Market Structure and Social Performance: Proceedings of a Conference Sponsored by the Bureau of Economics*. Washington: U.S. Government Printing Office, 1980.

This volume contains a series of papers presented at a conference sponsored by the Bureau of Economics. The papers examine the relationship between firm size, market structure and selected aspects of social performance-political power, the distribution of income and wealth, community welfare, and worker satisfaction.

Rogers, Robert P. *The Development and Structure of the U.S. Electric Lamp Industry*: Washington: U.S. Government Printing Office, 1980.

This study examines the electric lamp Industry and concludes that General Electric dominates the consumer sector of the industry because of its product differentiation advantage among small household buyers and its mutually comfortable relationship with the large food chains and other retailers. The study also concludes that the Justice Department cases relating to the electric lamp industry have left the industry structure largely unchanged and that the rate of innovation in the industry has been considerable.

Bond, Ronald S., et al. *Effects of Restrictions on Advertising and Commercial Practice in the Professions: The Case of Optometry*. Washington: U.S. Government Printing Office, 1980.

This report presents an examination of the effects of advertising and commercial practice on the price and quality of professional services. The study compared the price and quality of optometry services in areas with different restrictions on advertising and on the operation of commercial firms. It concluded that prices were lower in areas which permitted advertising and commercial practice and that quality was about the same in both restrictive and non-restrictive markets.

ECONOMIC WORKING PAPERS

- #14 Bond, Ronald S. and David F. Lean. "Consumer Preference, Advertising, and Sales: On the Advantage From Early Entry" October, 1979.
- #15 Webbink, Douglas W. "Predicting 1972 Concentration Levels Using 1967 Concentration and Other Variables for 280 4-Digit Industries" October, 1979.
- #16 Case, James. "On the Competition for Shelf Space in Grocery Stores" October, 1979.
- #17 Kwoka, John E., Jr. "Does the Choice of Concentration Ratio Really Matter?" October, 1979.
- #18 Hilke, John C. "Advertising Predation and the Areeda-Turner and Williams on Rules" October, 1979.
- #19 Webbink, Douglas W. "Entry, Price-Cost Margins and Barriers to Entry in 280 4-Digit Industries, 1967-1972" October, 1979.
- #20 Sant, Donald T. "Estimating Expected Losses in Auto Insurance" October, 1979.
- #21 Kwoka, John E., Jr. "Output Under Second-Degree Price Discrimination" October, 1979.
- #22 Peterman, John L. "Difference Between the Levels of Spot and Network Television Advertising Rates" October, 1979.
- #23 Comanor, William S. "Conglomerate Mergers: Considerations for Public Policy" March, 1980.
- #24 Mazis, Michael B., et al. "A Framework for Evaluating Consumer Information Regulation" June, 1980.
- #25 Ippolito, Pauline. "Investment in Health: Life Cycle Consumption of Hazardous Goods" June, 1980.
- #26 Beales, Howard, et al. "Consumer Search and Public Policy" June, 1980.
- #27 Salant, Stephen W. "The Vulnerability of Price Stabilization Schemes to Speculative Attack" June, 1980.

- #28 Kwoka, John E., Jr. "Behavior of an Auto Firm under the Fuel Economy Constraint" June, 1980.
- #29 Tarr, David G. "On the Explanation of the Efficient Diffusion of Technology across Nations" June, 1980.
- #30 Beales, Howard. "Television Program Quality and Restrictions on the Number of Commercials" June, 1980.
- #31 Salant, Stephen W. S. Switzer, and R. Reynolds. "Losses from Merger: The Effects of a Change In Industry Structure on Cournot-Nash Equilibrium" June, 1980.
- #32 Perloff, Jeffrey M. and Steven Salop. A. "Firm-Specific Information, Product Differentiation, and Industry Equilibrium"; B. "Equilibrium with Product Differentiation: An Addendum" April, 1980.
- #33 Scheffman, David and Eli Appelbaum. "Product Reliability, Warranties and Producer Liability, and Advertising" September, 1980.
- #36 Beales, Howard, Richard Craswell, and Steven Salop. "Information Remedies for Consumer Protection" August, 1980.
- #37 Barton, David M. "Intertemporal Allocation of Exhaustible Resources: A Simple Geometric Interpretation" September, 1980.
- #38 Rozek, Richard P. "Advertising and Generic Trademarks" May, 1980.
- #39 Alger, Daniel. "A Re-evaluation of Traditional Static Oligopoly Models" May, 1980.
- #40 Alger, Daniel. "Equilibria Achieved with Communication" August, 1980.
- #41 Gessler, Geary. "An Efficient Markets Model of the Real Interest Rate and the Expected Rate of Inflation" May, 1980.
- #42 Shapiro, Carl. "Consumer Information, Product Quality and Seller Reputation" July, 1980.
- #43 Shapiro, Carl. "Premiums for High Quality Products as Rents to Reputation" August, 1980.

INTERVENTIONS BEFORE
OTHER FEDERAL AND STATE AGENCIES

Civil Aeronautics Board

In response to a request for public comment by the CAB, the Commission submitted comments recommending the Board consider adopting a rule protecting the rights of consumers who purchase packaged tours that use scheduled air transportation in the same way they are protected in chartered Right tours. The FTC also proposed that the CAB consider establishing a system for quickly and fairly resolving consumer complaints and promptly paying any awards to consumers of packaged tours.

Department of Energy

Staff of the Bureau of Economics commented on a plan for phased decontrol proposed by DOE, and proposed a plan for phased decontrol of crude oil prices that would not encourage producers to hold back production until controls are removed completely. Under DOE's proposed plan, a percentage of a producers total output each month would be subject to price control, with the remainder available for sale at the prevailing market rate. According to the staff, this plan would encourage producers to reduce production until controls were lifted completely. Producers would know that the less they produce, the less they would have to sell at the lower, controlled price. As an alternative, staff recommended that the amount of crude oil to remain under price control be calculated not as a percentage of a producer's total output for that month, but as a percentage of the amount independent of current output. Staff stated that this plan eliminates the incentive to withhold production, since each month the amount of oil to be sold at controlled prices would not depend on how much is produced that month.

Department of Justice

In comments submitted to the Justice Department to aid its analysis for the Secretary of the Interior on the effect on competition of an outer continental shelf lease sale, the Commission submitted views that acceptance of all of the high bids for gas and oil rights in the Beaufort Sea might result in an undesirable lessening of competition. In that lease and sale, major producers of Alaskan North Slope crude oil, British Petroleum Company and its subsidiary, Standard Oil Company (Ohio), and Exxon Corp., submitted high bids on several tracts. The Commission observed that while acceptance of the BP/Sohio and Exxon bids might create or maintain a situation inconsistent with the antitrust laws, the inclu-

sion of smaller firms in the joint venture bids offered by these concerns could have procompetitive impact. The Commission therefore emphasized the Secretary of Interior's discretion to accept the bids, notwithstanding some anti-competitive potential.

Department of Energy

Following a request for public comment, the staff of the Bureau of Competition filed comments with the Department of Energy on a proposal to increase the price ceiling on sales by gasoline middlemen to adjust for inflation. The FTC staff comments stated that the proposal was competitively "unwarranted" and may result in higher consumer costs. The Bureau argued that inflation apparently did not cause the Federal price controls to constrain resellers prices until 1979, and any increases to compensate for inflation should employ 1979 as a measurement base rather than the 1974 base proposed by DOE. Bureau staff argued that the DOE proposal would induce too much investment in reselling operations, reducing normal competition-induced incentives to invest in production oriented sectors of the petroleum industry and the economy in general.

California Air Resources Board

Providing its views at the request of the Board, the Bureau of Competition argued that California regulations governing warranties for automobile emission control systems may have severe economic consequences for the auto replacement parts and service industries, small businesses and consumers. The Bureau said these consequences do not appear to be justified by any environmental benefits, and recommended that the Board, which has major responsibility for the state's air pollution control program, reconsider its warranty regulations. Board regulations extend emission control system warranty coverage to a broad list of automotive parts for a five-year or 50,000-mile period. According to the Bureau comments, for the duration of the warranty period these regulations encourage consumers to obtain automotive parts and service only at new car dealerships using only the automakers' brands of repair parts. The Bureau argued that the regulations therefore could convert to automobile dealers a substantial volume of business that consumers have traditionally given to independent garages, bodyshops and service stations using independent manufacturers' parts. The Bureau recommended rescinding the California warranty regulations and relying on the Federal program to meet California's clean air goals. Short of this, the Bureau recommended that the Board reduce the length of its warranty.

from the present five years or 50,000 miles to two years or 24,000 miles, for all but primary emission control components, and that the Board adopt an inspection and maintenance program similar to the ones adopted by other states.

In addition, a Bureau of Competition staff attorney presented a statement to the Board on September 24, 1980, in which he further discussed the Bureau's position and urged the Board to adopt an inspection and maintenance program in lieu of its current system.

Interstate Commerce Commission

Comments submitted by the Bureaus of Economics and Competition recommended that the ICC broaden the scope of a trucking deregulation proposal. Partly in response to an FTC petition requesting such action, the ICC proposed to allow trucking companies to raise or lower the rates within a predetermined range without the need for specific government approval. The Bureaus supported this plan, and predicted that it would benefit both the motor carrier industry and the public by greatly increasing competition. The Bureaus predicted that the pricing flexibility proposed by the ICC would result in lower prices to consumers, reduce costs for trucking companies and provide a wider range of price and service alternatives for shippers. Under the ICC's approach, however, this rate-setting freedom would be granted only to companies publishing rates individually. The Bureaus urged that the ICC also give rate bureaus, which are groups of motor carriers that set rates jointly, the same flexibility to reduce rates that individual carriers would enjoy under the ICC's proposal. The Bureaus also recommended that the ICC give rate bureaus similar freedom to raise rates, but only if regulatory barriers to entry into trucking were lessened and the antitrust immunity for collective ratemaking were withdrawn.

Interstate Commerce Commission

In an important railroad operating rights proceeding at the ICC, the Bureau of Competition opposed provisions in an agreement between two railroads that could have led to a monopoly over coal carriage in Wyoming's coal-rich Powder River Basin. Intervening in support of mine-owners who were fearful of being at the mercy of just one railroad, the Bureau urged an ICC administrative law judge to strike provisions of the agreement that would have unduly barred one party to the agreement from competing for the mine-owners' coal traffic. The ALJ struck the anticompetitive provisions, and the Bureau has supported that part of his decision in the appeal to the full ICC. The Bureau has also urged the ICC to re-

consider its grant of certain other coal carriage monopoly rights in the Power River Basin.

Interstate Commerce Commission

The comments submitted by the Bureaus of Economics and Competition support the objectives of the ICC proposed rulemaking to simplify market dominance procedures, increase rate flexibility and provide protection to captive shippers. The Bureaus recommend improving techniques of calculating the ratio of rate to variable cost (RVC) before using it to determine market dominance. Other changes, to provide added ratemaking flexibility while protecting shippers, also were supported.

Interstate Commerce Commission

These comments were submitted by the Bureaus of Economics and Competition in response to a call for comments on a petition by the Transportation Consumer Action Project (TCAP) to initiate a rulemaking proceeding to ease regulatory entry barriers in the intercity bus industry. The Bureaus supported the petition of TCAP and urged that the rulemaking proceeding include an examination of the desirability of reducing barriers to exit.

Federal Reserve Board

The Commission submitted comments to the Federal Reserve Board in connection with proposed interpretations of the Equal Credit Opportunity Act's Regulation B, which clarifies the rights of women and the elderly under this anti-discrimination law. The Commission stated that many of the proposed interpretations would enable creditors to avoid giving full consideration to kinds of income that are particularly common to women and the elderly, such as alimony, part-time income and retirement benefits. In detailed comments, the Commission discussed its view of the adverse consequences that would follow from the adoption of many of the proposed alternative interpretations, and urged the Board to resolve the issue in a manner that preserves the right of women and the elderly to rely on dependable income from sources other than full-time employment, and the right of all consumers to learn why their credit application is rejected. After a year's consideration of the comments it received, the Board published two interpretations that are essentially consistent with the Commission's position in this matter.

Federal Reserve Board

The staff provided advice to the Board on the revision of Regulation Z mandated by the Truth-in-Lending Simplification and Reform Act, with particular emphasis on changes affecting the Commission's enforcement of the Act. Other comments were also filed with the Federal Reserve Board regarding proposed regulations to implement the Electronic Funds Transfer Act, and also on the Board staff's proposed official staff commentary on the Act.

THIS PAGE MISSING FROM ORIGINAL

POLICY PLANNING PAPERS

Consumer Financial Services Policy Review Session Briefing Book December, 1979.

Media Policy Review Session Briefing Book
December, 1979.

Vertical and Horizontal Restraints Policy Review Session Opinions Memorandum
January, 1980.

"Paradox Regained: Towards a 'New Economic Approach' to Vertical Restraints Policy," Policy Planning
Issues Paper
January, 1980.

Cancer Insurance, Policy Planning Issues Paper
January, 1980.

Post-Purchase Consumer Remedies Policy Review Session Briefing Book April, 1980.

Industrywide Enforcement Policy Review Session Briefing Book
July, 1980.

Future Developments in the Food Industry and Their Implications for the Federal Trade Commission, Policy
Planning Issues Paper July, 1980.

Papers on Business Strategy and Antitrust, Policy Planning Issues Paper
September, 1980.

Building Regulatory Practices and the Courts, Policy Planning Issues Paper
September, 1980.