

widely disseminated on the Web with unprecedented ease, and (2) the belief that greater protection of personal privacy on the Web will not only protect consumers, but also increase consumer confidence and ultimately their participation in the online marketplace.

In June, the Commission issued a comprehensive report on Internet privacy, *Privacy Online: A Report to Congress* (the "Report")⁽⁴⁾. The Report sets forth widely accepted fair information practices; reports on the Commission's extensive survey of some 1400 Web sites' information practices; and assesses the effectiveness of regulatory efforts to date in protecting consumer privacy. The Report concludes that an effective self-regulatory system has yet to emerge and that additional incentives are required in order to ensure that

some 1400 Web sites, the Commission found that the vast majority of sites collect personal information from consumers -- 92% in the sample representing all based commercial sites likely to be of interest to consumers.⁽¹²⁾ In addition, we found that a wide variety of detailed personal information is being collected online from and about children, often without actual notice to, or an opportunity for control by, parents. In our survey, 89% of the 212 children's sites surveyed collect personal information from children, but only 1% obtain parental permission prior to collecting such information.⁽¹³⁾

Here are a few examples of the kinds of information collection practices Commission staff discovered in the survey:

A medical clinic's online doctor referral service invites consumers to submit their name, postal address, e-mail address, insurance company, any comments concerning their medical problems, and to indicate whether they wish to receive information on any of a number of topics, including urinary incontinence, hypertension, cholesterol, prostate cancer, and diabetes. The online application for the clinic's health education membership program asks consumers to submit their name, address, telephone number, date of birth, marital status, gender, insurance company, and the date and location of their last hospitalization.

An automobile dealership's Web site offers help to consumers in rebuilding their credit ratings. To take advantage of this offer, consumers are urged to provide their name, address, Social Security number, and telephone number through the Web site's online information form.

A mortgage company operates an online prequalification service for home loans. The online application form requires that each potential borrower provide his or her name, Social Security number, home and business telephone numbers, e-address, previous address, type of loan sought, current and former employer's name and address, length of employment, income, sources of funds to be applied toward closing, and approximate total in savings. The online form also requires the borrower to provide information about his or her credit history, including credit card, car loans, child support and other indebtedness, and to state whether he or she has ever filed for bankruptcy.

A child-directed site collects personal information, such as a child's name, postal address, e-mail address, gender, and age. The Web site also asks a child extensive personal finance questions, such as whether a child has received gifts in the form of stocks, cash, savings bonds, mutual funds, or certificates of deposit; who has given a child these gifts; whether a child puts monetary gifts into mutual funds, stocks or bonds; and whether a child's parents own mutual funds. Elsewhere on the Web site, contest winners' full names, age, city, state, and zip code are posted.

Another child-directed site collects personal information to register for a chat room including a child's full name, e-mail address, city, state, gender, age, and hobbies.

The Web site has a lotto contest that asks for a child's full name and address. Lotto contest winners' full names are posted on the site. For children who wish to find an electronic pen pal, the site offers a bulletin board service that posts messages, including children's email addresses. While the Web site says it asks children to post messages if they are looking for a pen pal, in fact anyone of any age can visit this bulletin board and contact a child directly. (14)

None of these Web sites posted a privacy policy.

2. Consumer Concerns About Online Privacy

Consumers are concerned about this collection of personal data, which in turn appears to be affecting their participation in the online marketplace. While recent survey research indicates that 76 million Americans use the Internet, less than a quarter of this group, or 17.5 million people, have purchased products, services, or information online. (15) According to the results of a Mar 1998 Business Week survey, consumers not currently using the Internet ranked concerns about the privacy of their personal information and communications as the top reason they have stayed off the Internet. (16) A substantial

concerns regarding online privacy through self-regulation. The Commission believes that self-regulation is preferred to a detailed legislative mandate because of the rapidly changing nature of the Internet and computer technology. The Commission also recognizes that a private-sector response to consumer concerns that incorporates the widely adopted fair information practices discussed in the Report and provides for effective enforcement mechanisms could afford consumers adequate privacy protection.

However, despite the Commission's considerable efforts to encourage and facilitate an effective selfregulatory system, we have not yet seen one emerge.

