

achieving an estimated consumer savings of \$14 for every \$1 spent on agency operations.

- x Protecting consumers and business from anticompetitive mergers before they occur by reviewing the increasing number of proposed merger transactions filed under the Hart-Scott-Rodino provisions of the Clayton Act. Reported transactions have tripled from 1,529 in fiscal year 1991 to 4,642 in fiscal year 1999 and have increased elevenfold in total value during this period, from \$169 billion to \$1.9 trillion.
- x Targeting 78 percent of FTC antitrust resources in fiscal year 1999 to four sectors of the economy -- energy and natural resources, information and technology, health care and pharmaceuticals, and consumer goods and services, thus focusing on industries with major pocketbook benefits for consumers.
- x Fighting Internet-related fraud since 1994 by bringing 100-plus enforcement actions which have targeted 300 corporate and individual defendants on behalf of millions of online consumers and small business. The FTC's enforcement actions have cost consumers over \$1 billion.

The FTC also protects consumers from more traditional scams that have found new
the Internet. In fact, most of the FTC's 100-plus cases challenging Internet fraud are old
frauds on a new medium

existing laws. Although the results vary, the warnings appear generally effective prompting operators to correct or remove their websites without any formal FTC enforcement action.

Second, the FTC has created "teaser sites" to educate consumers about exercising caution in dealing with website enterprises. Now numbering over a dozen, these sites mimic common Internet scams, such as pyramid schemes and business opportunities, and contain the customary glowing testimonials and false promises. After a few "clicks" from the home page, the FTC teaser sites warn consumers that they could be defrauded by participating in similar schemes and provide tips on how to distinguish fraudulent pitches from legitimate ones.

Finally, the FTC organized the development of www.consumer.gov to educate consumers. With more than 100 federal agencies contributing information, the website is a one-stop shop for consumers turning to the federal government seeking information, from health to money to technology.⁽¹⁵⁾

Protecting Privacy Online. Since 1995, the FTC has been at the forefront of issues involving online privacy. Among other activities, the FTC has held public workshops; examined website practices on the collection, use, and transfer of personal information; and commented on self-regulatory efforts and technological developments intended to enhance consumer privacy. The FTC has issued three reports to Congress based on its initiatives in the privacy area.⁽¹⁶⁾ The most recent, *Self-Regulation and Privacy Online*,⁽¹⁷⁾ issued in July 1999, examined website collection of consumer information, consumer concerns about online privacy, and the state of self-regulation. The report recommended effective self-regulation at that time instead of legislation, but called for further efforts to implement "fair information principles" and continued FTC monitoring.

The FTC is particularly concerned about issues involving the online collection of personal information from children. In its 1998 privacy report, the FTC documented the widespread collection of children's information, and recommended that Congress adopt legislation setting forth standards on online collection. Four months after the report was issued, Congress enacted the Children's Online Privacy Protection Act of 1998.⁽¹⁸⁾ required by the Act, the FTC issued a rule to implement the Act's fair information standards for commercial websites collecting information from children under 13.⁽¹⁹⁾ The rule, which takes effect in April 2000, describes what constitutes "verifiable parental consent" in the collection of information from children.

The FTC also has brought law enforcement actions to protect privacy online. One action challenged the allegedly false representations by the operator of a "Young Investors" website that information collected from children in an online survey would be maintained anonymously,⁽²⁰⁾ and another challenged the practices of an online auction site that allegedly

Since the 1999 privacy report, the FTC, together with the Department of Commerce, public workshop on "online profiling" ⁽²²⁾ to educate the public about this practice and its privacy implications, and to examine current industry efforts to implement fair information practices. The FTC also has convened an advisory committee ~~of~~ ^{with} commerce experts, industry representatives, security specialists, and consumer and privacy advocates to examine the costs and benefits of implementing online the fair information practices of "access" and "security." ⁽²³⁾ This advisory committee, convened pursuant to the Federal Advisory Committee Act, ⁽²⁴⁾ will provide a written report to the FTC in May 2000. Later this month, the FTC will conduct another survey on commercial website practices of

(the second and fourth largest chains in the U.S.) Kroger's acquisition of Fred Meyer, which created the largest U.S. supermarket chain. In the last four years, the FTC has more than 10 enforcement actions involving supermarket mergers, requiring divestitures of nearly 300 stores, in order to maintain competition in local markets spread across the U.S.⁽²⁷⁾

The FTC is addressing not only anticompetitive mergers, but also anticompetitive practices that could hinder consumers from reaping the full benefits of retail restructuring. For example, the Commission sued Toys R Us, the nation's largest toy retailer, alleging market power by trying to stop warehouse clubs from selling popular toys, such as Barbie dolls. Although new to selling toys, warehouse clubs, such as Costco, were selling them at lower prices and beginning to take market share from more traditional retailers, including Toys R Us. In response, Toys R Us allegedly pressured toy manufacturers to deny popular toys to warehouse clubs or to sell to them only on less favorable terms. The FTC issued an administrative order to stop these practices, and the matter is now on appeal in the U.S. Court of Appeals for the Seventh Circuit.⁽²⁸⁾

Protecting Competition and Consumers in Electric Power Deregulation. Deregulation is transforming the huge electric power industry, which has annual sales of over \$200 billion. The FTC is working to ensure that consumers receive the benefits of deregulation and that formerly regulated monopolists do not use their market power to impede competition. The FTC has provided testimony and other comments to Congress on issues of electric power deregulation. FTC staff has participated in various industry forums and has provided comments to the Federal Energy Regulatory Commission and 13 state governments to assist in the transition to a competitive market. The FTC also conducted a workshop for state utility regulators and Attorneys General on market power and consumer protection issues that states are likely to face as they deregulate and restructure the electricity industry. The FTC continues to emphasize the need to (1) adopt policies that lessen the market power he

cram unauthorized charges on to consumers' phone bills by making the bills easier to read and understand.⁽³⁴⁾

The FTC also has worked closely with the FCC on "dial-around" long distance telephone services, another innovation of the deregulated environment. Dial-around allows consumers to bypass their pre-subscribed long distance provider by using access codes -- a "1-0-0-XXX" number.⁽³⁵⁾ Through national advertising, long distance carriers, both large and small heavily promote dial-around services, which now gross approximately \$3 billion per year.⁽³⁶⁾ Nearly all of this advertising focuses on price claims, and, unfortunately, much of it appears deceptive. Early in fiscal year 2000, the FTC and the FCC jointly sponsored a public workshop to focus attention on deceptive advertising and to examine how both

Investigating Mergers in a Globalized Economy. Globalization means that increasing numbers of the FTC's merger investigations involve companies with international ties and

regulation rules in effect in 1992 (21 of 40 guides and 12 of 25 rules).

- x The FTC has revised other rules to simplify disclosure requirements, provide more flexible compliance options, or promote international harmonization to facilitate te.

(visited Sept. 28, 1999) <http://www.forreste.com/ER/Press/Release/0,1769,164,FF.html>

4. *See* Attachment 1. Internet-related initiatives include anti-fraud law enforcement, consumer and business education, online privacy initiatives, and the development of international consumer protection guideline commerce.

5. Sandra Sugawara,

20. *Liberty Financial Companies, Inc.*, No. G

38. Roy Levy, FTC Bureau of Economics Staff Report, *The Pharmaceutical Industry: A Discussion of Competitive and Antitrust Issues in an Environment of Change* (March 1999).

39. *Hoechst AG*,