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U.S. FEDERAL TRADE COMMISSION
WASHINGTON, D.C.

Annual
Report
Of the FEDERAL
TRADE
COMMISSION

For the Fiscal Year Ended

September 30, 1987

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LETTER OF TRANSMITTAL

August 29, 1989

The Honorable Dan Quayle
President of the Senate
United States Senate
Washington, D.C. 20510

The Honorable Thomas Foley
The Speaker of the House
House of Representatives
Washington, D.C. 20515

Dear Mr. President and Mr. Speaker:

It is a pleasure to transmit the seventy-third Annual Report of the Federal Trade Commission covering its accomplishments during the fiscal year ended September 30, 1987.

By direction of the Commission.

Janet D. Steiger
Chairman

FEDERAL TRADE COMMISSION
1987 ANNUAL REPORT

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SUMMARY

The Federal Trade Commission enforces a variety of federal antitrust and consumer protection laws. The Commission seeks to ensure that the markets of the nation function competitively, and are vigorous, efficient, and free of undue restrictions. The Commission also works to enhance the smooth operation of the marketplace by eliminating acts or practices that are unfair and deceptive. In general, the Commission's efforts are directed to stopping actions that threaten consumers' opportunities to exercise informed choice. Finally, the Commission undertakes economic analyses to support its law enforcement efforts and to contribute to the policy deliberations of the Congress, the Executive Branch, other independent agencies, and state and local governments.

In fiscal year 1987, the Federal Trade Commission continued its commitment to carrying out its statutory responsibilities, embodied in consumer protection and antitrust laws, to promote the welfare of consumers. In addition, the Commission advanced the policies underlying its Congressional mandate, through cost-effective non-enforcement activities. The agency achieved significant accomplishments in many areas.

COMPETITIVE MARKETPLACE

The Bureau of Competition and the Commission's ten regional offices assisted the Commission in fulfilling its mission of maintaining competition in the U.S. economy. In the merger enforcement area, the Bureau carefully reviewed an increased number of transactions filed pursuant to the Premerger Notification Program, and adopted several rule amendments to reduce the premerger reporting burden and to close a reporting loophole involving partnerships. In Fiscal 1987, the Commission sought to enjoin seven proposed merger transactions that were likely to substantially lessen competition. In other instances, parties contemplating mergers abandoned their efforts, or signed consent decrees curing potentially harmful effects, in the face of imminent Commission enforcement action.

Outside the merger enforcement area, the Commission continued efforts to eliminate private and public restraints on competition. The Commission devoted considerable attention to maintaining competition in the health care industry and to challenging anti-competitive agreements among competitors, especially competitive restraints involving professionals. In the compliance area, the Bureau of Competition staff continued or completed work on civil penalty litigation, petitions to modify orders, and applications for approval of divestitures and

acquisitions from entities already subject to Commission orders. Along with its enforcement activities, the agency promoted competition through other methods, including, when invited, advocacy before state and

ADMINISTRATION AND MANAGEMENT IMPROVEMENTS

In fiscal 1987, the Commission made significant progress in office automation. It acquired and installed a pbx telephone system, a local area network and also purchased a large number of personal computers. Agency automation resulted in more efficient sharing of expensive resources, and allowed for increased automation support for litigation. The Budget and Finance Division continued its careful review of agency expenditures in order to accomplish agency objectives with decreased resources.

The Personnel Division's employee training efforts in fiscal 1987 focused on continuing education, as well as on briefing employees on the new Federal Employees Retirement System and the new performance rating systems. The division issued a policy document on incentive awards and produced a new employee handbook. An Employee Assistance Program was also developed in fiscal 1987, and the Equal Employment Opportunity Program efforts were strengthened.

The Commission voted, during fiscal 1987, to reallocate agency resources to strengthen the regional offices. The Commission's plan will gradually shift additional resources from headquarters to the regions.

MAINTAINING COMPETITION MISSION

The Maintaining Competition Mission is charged with preventing unfair methods of competition that violate the Federal Trade Commission Act, and shares

26 transactions. The parties in five of the proposed transactions decided to abandon their plans, and the Commission sought to enjoin seven transactions under Section 13(b) of the FTC Act: Kidde/Harnischfeger, Dupont/Asamera, Invacare/Huntco, Hoechst-Celanese, Supermarket Development Corporation, Pacific Resources Inc.; and Svenska Cellulosa AB. The Commission settled Hoechst by a consent order and, ordered Hoechst to divest either two or three Celanese polyester textile fiber plants, or American Hoechst's plants. The Commission also accepted for comment a consent agreement requiring Supermarket Development Corp. to divest certain grocery stores throughout New Mexico and Texas.

Two other transactions, L'Air Liquide S.A. and Alleghany Corp., were also settled by consent orders. The final order in L'Air Liquide required the divestiture of certain Big Three and Liquid Air plants in Florida, New Mexico and Texas, and ordered the divestiture of the customer base and equipment for those plants. In Alleghany Corp., the final order required Alleghany to divest within one year a Safeco title plant in Cook County, Illinois, and within 14 months, either Safeco's title plant in Los Angeles County or Alleghany's interest in the TRI plant in Los Angeles County.

The Commission adopted nine of the thirteen proposed amendments to the premerger notification rules that were published in the Federal Register for comments in 1985. All but one of the final rules relate to the Commission's burden-reduction efforts that began in 1982. These final rules narrow the types of acquisitions that must be reported, reduce the volume of documents or information that must be reported, clarify the meaning of certain notification terms, and amend the reporting exemption in Section 802.70(b) for acquisitions nm.meaning0 29

Consumer Protection, and Economics to respond to a number of legislative requests for analysis and advice on energy competition issues.

The Commission also reviewed several significant proposed energy acquisitions under its statutory responsibilities pursuant to the Hart-Scott-Rodino amendments to the Clayton Act, 15 U.S.C. §18a. In one of these, DuPont/Asamera, the likelihood of anticompetitive results attributable to horizontal overlaps between the only two refineries in the Denver, Colorado, area led to a Commission decision to seek a preliminary injunction to block the transaction in federal court under §13(b) of the FTC Act. The parties abandoned the transaction. The Commission also authorized its staff to seek a preliminary injunction to block Pacific Resources Inc.'s proposed acquisition of Shell Oil's Hawaiian terminal and distribution operations for gasoline and other petroleum fuels because of the apparent horizontal overlaps in that market.

During this fiscal year, the Commission continued its administrative proceeding relating to the combination of offshore Gulf Coast natural gas pipelines under a single company as a result of the MidCon/United merger.

The Commission also continued its program of examining the regulatory activities of other federal and state agencies in energy markets, and examining proposed federal and state legislation in such markets. The Commission staff offered advice on competitive effects, when requested, and intervened in regulatory proceedings, when appropriate, to advocate market solutions in preference to regulations. The Commission approved joint comments by the Bureaus of Competition, Consumer Protection, and Economics, at the request of state legislators in Georgia, California, and Nevada, opposing state legislation requiring refiners to divest their retail gasoline stations, and so-called "below-cost" state legislation to prevent refiner- or jobber-operated gasoline stations from continuing to offer lower prices to consumers.

Finally, the Commission continued to discharge its responsibilities under the Energy Policy and Conservation Act with regard to the International Energy Program by monitoring industry activities, providing antitrust advice to other agencies of the U Poof providing t h U

competition in the health care sector of our economy. The Commission was particularly active in law enforcement efforts to eliminate alleged private and public restraints on competition in the health care industry. The Commission accepted for comment a consent agreement against a county medical society prohibiting restriction of advertising by its members, and issued a consent order against a group of physicians in Pennsylvania that prohibited the group from threatening to boycott a hospital as a means of forcing it not to open a competing clinic in their area. Oral argument was held in a case against a state regulatory board to open ai .

were exempted from the antitrust laws by the "state action" doctrine, but their activities in

imported small gasoline engines; possible attempted monopolization of the market for melamine; and potential anticompetitive restraints resulting from proposed transnational mergers involving manufacturers of hydraulic cranes, wood pulping machinery, and spot utility vehicles and light trucks.

Through a total of fifteen projects, the international program was active in a variety of intervention matters and international liaison activities involving transnational competition and antitrust law enforcement issues affecting the domestic economy. For example, the Commission intervened in several trade law proceedings involving such products as imported specialty steel products, photocopier supplies, 256K computer chips, and softwood lumber. The Commission also provided legal and economic analyses that sought to identify and quantify the economic costs to consumers and the national economy of trade relief remedies requested. Under its international liaison activities, the International Antitrust Division maintained full compliance with the notification provisions of bilateral and multilateral antitrust cooperation agreements and understandings that minimize international law and policy conflicts, as well as facilitate United States' antitrust law enforcement efforts involving international commercial transactions or the acquisition of evidence located abroad. In addition, the Commission, in cooperation with the Department of Justice and the State Department, continued its participation on the OECD Committee of Experts on Restrictive Business Practices, and the interagency Committee on Foreign Investment in the United States (CFIUS).

MARKET POWER

During fiscal 1987, the Commission continued investigations

Puritan-Bennett Aero Systems, a seller of fire- and smoke-protection masks, was charged with deceptive advertising for failing to disclose the masks do not filter carbon monoxide. A consent agreement accepted subject to final approval, prohibits the

customers having spent as much as \$3,000 to \$6,000 on Removatron treatments over several years. The ALJ's initial decision is on appeal to the Commission.

The Commission closed its in-house Cigarette Testing Laboratory because of the cost of maintaining the facility and the fact that the same information is available from other sources. The cigarette laboratory was set up in 1966 to test the tar and nicotine levels of most brands of cigarettes. Since 1971 the cigarette industry has voluntarily included tar and nicotine ratings in all advertisements. For the past several years, the industry has maintained a testing program that duplicated the Commission program.

The Commission issued final regulations to implement certain aspects of the Smokeless Tobacco Act. The Act requires manufacturers, packagers, and importers of smokeless tobacco to display health warnings on packaging and in most advertising and to submit plans to the Commission specifying the method used to rotate, display, and distribute the required warnings. After the issuance of the regulations, the Commission approved a number of plans submitted by industry members.

MARKETING PRACTICES

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Reliance Wood Preserving and its owner, and McCoy Industries and Reliance Treated Wood, agreed not to make misrepresentation about the health effects of their products.

consumption-related problems. The settlement could involve one million cars with eligible repair costs of between \$125 to \$2,000 each.

Two companies, involved in the nationwide marketing and sale of photocopy supplies to small businesses and nonprofit organizations through telephone "boiler room" operations, agreed not to make future misrepresentations, to stop certain billing practices, and to make specified disclosures to potential buyers. North American Office Systems was ordered to pay \$60,000 in civil penalties to settle these charges and Copy Data Systems was ordered to pay \$300,000 in consumer redress. The president of Copy Data also agreed not to bill or collect any of the approximately \$400,000 in outstanding accounts receivable owed to the company.

A complaint was filed against AMREP Corp. to obtain redress for the over 20,000 customers who spent more than \$35 million on undeveloped land in New Mexico and Florida. AMREP was charged with misleading purchasers about the investment value and resale market of the land.

A complaint was filed against another land sale company, Southwest Sunsites, seeking redress for consumers who bought undeveloped land in Texas and continued to make payments on the land as a result of false and misleading claims. The Commission previously issued an order requiring respondents to cease and desist their unfair and deceptive practices.

A court judgment was filed settling charges that Theodore Weiswasser misrepresented vacation timeshare interests in Hawaii, Lake Tahoe, Nevada, and the state of Washington. The settlement prohibits Weiswasser, currently serving a three-year prison term for criminal contempt, from having any further connection with timeshare businesses.

The Commission filed a complaint against Amy Travel Services, its principals, and affiliated corporations seeking injunctions, against the allegedly deceptive sale of vacation packages, and redress for approximately 150,000 consumers. The court issued a temporary restraining order, an asset freeze, and a preliminary injunction in this matter.

The Commission issued a final order upholding an Administrative Law Judge's ruling in the Orkin Exterminating Co. case. The Commission ruled that Orkin unfairly raised the annual renewal fees for customers whose contracts called for fixed annual fees, and ordered the company to roll back those fee increases.

The Commission took action in two warranty-related rulemakings. The mobile home proceeding was terminated

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company filed debt-collection cases in courts far from where customers lived, unfairly depriving those persons of their right to defend themselves. The nation's third largest retailer has agreed not to bring any debt-collection cases in judicial districts other than those in which a customer lives or signed the disputed sales contract.

The FTC filed a complaint against World Travel Vacation Brokers charging the company with deceptively marketing its \$29 vacation certificates to Hawaii. The Commission requested preliminary and permanent injunctions barring the defendants from violating the FTC Act and the Truth-in-Lending Act in the future, and an order requiring them to make refunds to consumers.

SERVICE INDUSTRY PRACTICES

In federal court actions brought under this program, the Commission sued forty-nine corporations and individuals for allegedly fraudulent sales of \$271 million of worthless or overvalued products or services to more than 39,000 consumers. The Commission acted to halt the challenged practices and permanently enjoin similar future action by the defendants. Along with halting the fraudulent practices, the Commission obtained court orders directing the defendants to provide redress of more than \$12 million, in cash or debt cancellation, for aggrieved consumers.

The eleven defendants named in the Trans-Alaska Energy Corp. complaint allegedly defrauded 1300 consumers out of \$12 million. The Commission succeeded in obtaining an order permanently restraining continuation of this telemarketing scheme that induced consumers to invest in worthless oil and gas leases on land in Alaska and Wyoming. Trans-Alaska, related companies and six officials were ordered to pay \$2.1 million into a fund to redress consumers. A settlement with another defendant in this matter, Alan F. Goda, required him to pay a \$100,000 civil penalty. ^{indusnd Fil9f and and lilit5 Alaska}

Alaska Land Leasing, Federal Lease Filing Corp. and Landmilliol, for agj 22.68 o33.24 0om1int

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An agreement with five defendants in the matter of Rare Coin Galleries of America permanently enjoins them from future misrepresentations and requires that they transfer their personal assets to a bankruptcy trustee for payment of creditors, including defrauded consumers. The agreement settles charges that the coin dealers, who had sold \$15 million in allegedly rare coins, misrepresented the grade and investment value of the coins they sold.

The Commission obtained a temporary injunction barring the three defendants in the Security Rare Coin & Bullion Corp. matter from misrepresenting the value and investment potential of the coins they sell. The Commission is asking the court to order consumer redress and permanently enjoin defendants, which have sold \$160 million to over 20,000 consumers, from using the allegedly deceptive sales methods.

The Commission filed a complaint charging Numis Group, and four other defendants, with misrepresenting the value and investment potential of coins. The defendants market coins to consumers through telephone sales and written promotional materials. The staff estimates the defendants' sales of coins total several million dollars per year, with many customers investing between \$10,000 and \$20,000.

As part of a settlement with American National Cellular (ANC), the court ordered defendants not to mislead potential investors about the chances of winning federal lotteries for the right to build cellular telephone systems and the profits to be made from owning and operating such systems. The defendants had 5,500 customers and total sales of \$22.9 million. The settlement also provided consumer redress exceeding \$5 million, of which \$1 million was cash. In addition, the Commission successfully prosecuted ANC's former president, Michael Godfree, for criminal contempt of a court order freezing his assets. Godfree was also ordered to pay \$28,000

The Commission charged Rainbow Enzymes and nine other defendants with misleading consumers into paying \$3,000 each to participate in manufacturing a cleaning fluid, and with making false claims about the quality, composition and value of their product. The complaint also charged the defendants with falsely claiming that major companies and government agencies had endorsed the cleaner. The court issued a temporary restraining order, approved the appointment of a temporary receiver, and froze more than \$1 million contained in defendants' bank accounts.

In the Ophthalmic Practice ("Eyes II") rulemaking, the Commission published the final staff report and the presiding officer report for public comment. The proposed rule would prohibit certain state restrictions on optometrists' **df**)

potential of its energy-management systems franchises and also misrepresenting the services it would provide franchisees.

Three companies were charged with violating the Mail Order Rule. Raffoler Ltd., a mail order company selling inexpensive items under several different company names, agreed to pay \$150,000 in civil penalties and not to violate the rule in the future.

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tax preparation services, was modified by deleting or revising several requirements. Provisions of a 1976 consent order with Glendinning Associates, concerning restrictions on contests the company prepares and sells, were altered or replaced, and a prohibition against running skill contests that are not based on "matters of established provable fact" was lifted. A 1979 consent order with Ford Motor Co. and Ford Motor Credit Co., establishing procedures for the sale of repossessed cars and light trucks, was also modified by replacing or eliminating certain provisions.

The Commission took action in several of the rules enforced under this program. The television advertising disclosure provisions of The Home Insulation (R-Value) Rule were deleted, bringing the rule into compliance with a federal court order. Additional rulemaking proceedings on the deleted provisions will not be held.

A study of the Appliance Labeling Rule, comparing the knowledge and attitudes about energy use of consumers who had recently bought clothes washers or refrigerators, was released. Results suggest that energy data is becoming an important factor in consumers' decisions about which brand of appliance to purchase. The latest figures for average unit energy costs for electricity, natural gas, heating oil, and propane were incorporated into the Rule.

A rulemaking proceeding to adopt amendments to the Games of Chance Rule was initiated after the Commission received a number of requests for waivers from current provisions. The Rule requires promoters operating games in food stores and gasoline stations to provide detailed information on the number of prizes available, the odds of winning each prize, the geographic areas covered by the game, and the number of participating retailers.

Based upon reviews required under the Regulatory Flexibility Act, the Commission determined not to amend the Negative Option Rule and the Franchise Rule, and to propose only nonsubstantive modifications to the Cooling-Off Rule. An exemption from the Franchise Rule was granted to Austin Rover Cars of North America.

Staff guidelines to help used car dealers comply with the Used Car Rule were published. The Commission denied petitions for exemption from the rule from 65 auto leasing companies and 62 auto dealers (including 1012

In fiscal year 1987, the office developed and distributed four television video news releases. As a cooperative effort with the American Association of Retired Persons (AARP) the Commission produced one video concerning financial

economists worked to integrate economic analysis into the Commission's presentation of the case, to provide expert testimony, and to devise remedies that would improve market competition.

In the consumer protection area, economists provided estimates of the benefits and costs of alternative policy approaches. Potential consumer protection actions were evaluated not only for their immediate impact, but also for their longer-run effects on price, product variety, and overall consumer welfare.

Although the FTC is primarily an enforcement agency, it is also charged with analyzing data and publishing information about the nation's industries, markets, and business firms. Much of this work is undertaken by the Bureau of Economics. In 1987, economists conducted a number of studies on a broad array of topics relating to antitrust, consumer protection, and regulation. Research economists also provided Commissioners with economic advice on pending matters.

ANTITRUST

In the antitrust area, economists participated in all investigations of alleged antitrust violations and in the presentation of cases in support of complaints. Economists also advised the Commission on all proposed antitrust actions. These activities absorbed the bulk of the bureau's resources.

Several studies undertaken by the bureau also support the Commission's antitrust activities. For example, during 1987, economists investigated and published reports on the effects of state antitakeover statutes, international competitiveness and the trade deficit, competition among hospitals, and tax-related motives for corporate mergers.

CONSUMER PROTECTION

In the consumer protection area, economists evaluated proposals for full phase investigations, consent negotiations, consent settlements, and complaints. In addition, economists routinely provided day-to-day guidance on individual matters and made policy recommendations directly to the Commission.

In addition to the bureau's direct support for individual consumer protection matters, staff economists studied and produced reports on consumer protection topics of particular interest to the Commission as well as the Congress. These included examinations of the relationship between advertising and product quality and the effects of dental hygienist practice restrictions on consumer prices.

REGULATORY ANALYSIS

In the regulation area, staff economists actively participated in the

Commission's Competition and Consumer Advocacy Program. As part of this effort, bureau staff reviewed a variety of regulations that raised antitrust or consumer protection issues. In response to invitations to submit comments the staff prepared and, with Commission approval, filed submissions to: the Securities and Exchange Commission on mutual fund advertising rules, the Federal Communications Commission on radio station cross-ownership rules, the Federal Energy Regulatory Commission on extension of import relief for specialty steel producers, the Department of Transportation and the Federal Aviation Administration on airport access and pricing, the state of Maryland on certificate of need laws for ambulatory surgery, and the state of South Carolina on regulation by the Public Service Commission.

A number of major reports published by the Bureau of Economics during 1987 also provided insight into the effects of government regulation on competition and consumer welfare. These reports included studies of international competitiveness and trade restraints, the consumer effects of petroleum import tariffs, and the price effects of restrictions on the use of dental auxiliaries.

EXECUTIVE DIRECTION,
ADMINISTRATION AND MANAGEMENT,
REGIONAL OFFICES

The Office of Executive Director is responsible for the administrative and management activities of the agency. The Divisions of Personnel, Budget and Finance, Procurement and General Services, Information Services, Automated Systems and the Library are all incorporated within this office. Also, the agency's regional offices receive management direction from the Office of Executive Director.

REGIONAL OFFICES

In 1987 the Commission's ten regional offices continued to represent the agency across the country. Their responsibilities encompassed all aspects of the Commission's work, including competition and consumer protection enforcement, consumer and competition advocacy, and business and consumer outreach. Prompted by concern over dwindling staff levels in several of the regional offices, the Commission voted during fiscal year 1987 to reallocate agency resources to strengthen regional offices. The Commission's plan calls for gradually shifting resources from headquarters in order to staff regional offices with an average of nineteen persons each by fiscal year 1990.

PLANNING AND INFORMATION

The Commission made significant progress in office automation during 1987. Major accomplishments included acquisition and installation of a pbx telephone system, a local area network ("LAN") and a large number of personal computers. The installation of the pbx involved designing telephone configurations for each office, installing cabling and phone instruments in each office, implementing a phone mail system, and training and assisting employees on how to use the system.

Over 500 ports were added to the LAN that was installed during 1987. A number of software programs were developed to take advantage of the LAN to integrate end-user computing and Commission-wide computing. Also, the LAN created an efficient method of sharing expensive printer resources among FTC offices and of sharing a variety of the Commission's electronically stored information. As a result, the number of litigation cases supported by office automation increased by 10 percent. Approximately 550 personal computers were installed in both Headquarters and Regional Offices to take advantage of these developments.

The Commission also implemented two significant computer systems during the year. A nationwide computer network supporting the telemarketing complaint system resulted in widespread participation by many state Attorneys General and local law enforcement agencies. This system uses the FTC's Prime computer to store a collective database of consumer complaints and enforcement actions. ALOHA, an integrated library system was also installed. The Acquisitions and Cataloging modules of this system are used for ordering and cataloging all library materials.

BUDGET

The fiscal 1987 budget and finance program consisted of three elements: budget planning and control of funds, accounting of expenditures, and audit of results. Careful control of agency expenditures and workyear usage was necessary to accomplish objectives with decreased resources. The agency used approximately 1007 workyears and spent \$64.8 million in fiscal year 1987. The workyears used were 9.0 percent fewer than in fiscal 1986. Finally, several audits of financial activities were completed in 1987.

HUMAN RESOURCES

The focus of the fiscal 1987 human resource management program was to prepare the Commission and its workforce for the 1990's.

Specific human resource

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PART II (INVESTIGATIVE STAGE)
CONSENT AGREEMENTS ACCEPTED
AND PUBLISHED FOR PUBLIC COMMENT

MAINTAINING COMPETITION MISSION

Supermarket Development Corporation

Furr's Inc., a wholly-owned subsidiary of Supermarket Development Corporation, agreed to divest grocery stores in twelve cities throughout New Mexico and Texas to a Commission-approved acquiror within nine months. According to the complaint accompanying the agreement, the acquisition of Safeway's El Paso division could otherwise substantially lessen competition in Fort Stockton and Pecos, Texas and in the New Mexico cities of Alamogordo, Artesia, Clovis, Espanola, Hobbs, Las Vegas, Lovington, Portales, Roswell and Silver City. In addition, for a period of ten years, Furr's is prohibited from acquiring any grocery store or other specified assets in 19 cities in New Mexico and West Texas without prior Commission approval.

Tarrant County (Texas) Medical Society

The Tarrant County Medical Society of Forth Worth, Texas agreed not to restrict its members' truthful advertising. The complaint accompanying the agreement charged that the society through its Board of Censors imposed limitations on the size and duration of newspaper advertisements and telephone listings by its members. It also alleged that the conspiracy restricted competition among physicians and deprived consumers of truthful information about physicians' prices, services, and qualifications.

CONSUMER PROTECTION MISSION

Aquanautics Corp.

Aquanautics, manufacturer of a marine survival suit, agreed to notify owners and users of the suit of a safety defect that is potentially life threatening. The company agreed to send each user a free kit that can be used to retrofit the suit to work as intended.

C&D Electronics, Inc., et al.

customers lived, unfairly depriving them of the right to defend themselves.

McCoy Industries, Inc., et al.

McCoy Industries and Reliance Treated Wood agreed not to make misrepresentations about the flame retardant value of "Flameguard" wood. They are required to give Reliance Wood Preserving a list of customers who bought the wood before April 15, 1985, so it can notify purchasers that the treated wood may not meet safety standards.

New Medical Techniques, Inc.

New Medical Techniques, manufacturer and distributor of counter-top water distillers, agreed not to misrepresent the ability of its devices to provide pure water. The company also agreed to stop falsely representing that its devices are approved or endorsed by any person or organization.

Plas-Tix USA, Inc.

Plas-Tix USA, manufacturer and seller of lighter-to-lighter automobile battery chargers, agreed not to make false, misleading and unsubstantiated claims about its "Safe-T-Start" product in the future. The company agreed not to claim that it

value of its "Flameguard" wood. They also agreed to notify purchasers of "Flameguard" manufactured before April 15, 1985 that some of the wood may not meet established safety standards.

Solar Age Industries, Inc.

Solar Age agreed not to misrepresent the capabilities of its solar energy heater or any other solar product. The company further agreed not to use the phrase "up to" in energy-related claims, unless the upper limit of potential savings indicated in the claim can be achieved by an appreciable number of consumers.

Viobin Corp.

Viobin, a subsidiary of A. H. Robbins, agreed not to make false and unsubstantiated claims about its wheat germ oil products. The company must inform consumers that the benefits claimed in its long-running advertising campaign are not supported by scientific evidence. Both companies agreed not to misrepresent the ability of wheat germ oil products to improve physical fitness or performance.

Walgreen Co.

Walgreen Co., one of the nation's largest retail drugstore chains, agreed not to make unsubstantiated claims for Advil or other analgesic products. The Commission charged that the company did not have a reasonable basis for claims that Advil is an effective anti-inflammatory drug for arthritis and that it can be substituted for prescription forms of, ibuprofen, the product's active ingredient.

manufacture, distribution, or sale of polyester staple and textile filament fibers in the United States.

L'Air Liquide Societe Anonyme Pour L'Etude Et L'Exploitation Des Procedes Georges Claude

L'Air Liquide S.A. agreed to divest certain assets to resolve antitrust concerns stemming from its \$1.2 billion proposed acquisition of Big Three Industries Inc. According to the complaint issued with the order, the acquisition could reduce competition in the production and sale of liquid gases: argon, oxygen, and nitrogen. The order required L'Air Liquide to divest contracts and air separation gases plants in Texas, Florida, New Mexico and Alaska to a Commission-approved acquirer within nine months. In addition, for a period of three years, L'Air Liquide is required to supply liquid oxygen and nitrogen to customers in North Texas. The order also requires L'Air Liquide to obtain prior Commission approval for ten years before acquiring any interest in firms that produce or sell liquid argon, oxygen, or nitrogen.

Max Factor & Co.

Under the terms of a consent order, Max Factor & Co. is required to make promotional allowances available on proportionally equal terms to all of its customers and in particular to make alternatives available to customers for whom its basic promotional plans are not usable or economically feasible. The complaint accompanying the order charged that Max Factor violated the Robinson-Patman Act by discriminating against some customers by not making promotional allowances available on proportionally equal terms to all of its customers. Under the order, Max Factor must offer specific alternatives, such as handbills or other in-store promotional activities, to stores that cannot use allowances. The order also requires Max Factor to notify all its customers that the promotional payments and alternatives are available.

Physicians in Meadville, Pennsylvania

Sixty-two physicians in Meadville, Pennsylvania agreed not to conspire to refuse to deal with health care providers or hospitals and agreed not to conspire to withhold patient referrals from any physicians. The Commission's complaint charged that the Meadville doctors threatened not to refer patients to physicians practicing at the St. Vincent Health Center in Erie, Pennsylvania after the St.

Vincent physicians announced plans to established a medical office near Meadville. The St. Vincent physicians suspended their plans to open the new medical facility. The order also prohibits the Meadville physicians from attempting to induce any person to refuse to deal with or withhold patient referrals.

PART III ADMINISTRATIVE COMPLAINTS

MAINTAINING COMPETITION MISSION

New York State Chiropractic Association

The Commission's complaint charged that the New York State Chiropractic Association agreed with some of its members to act as a united front to demand an increase in fees paid its members through a health benefits program supplied by Group Health, Inc., a health insurance company. According to the complaint, the association solicited its members to resign from participation in GHI's program after the health insurer refused to increase the payment levels for chiropractic services. The Commission charged that the association's actions were a conspiracy to fix prices and to conduct a boycott in violation of the federal antitrust laws.

CONSUMER PROTECTION MISSION

Kraft, Inc.

The Commission's complaint charged Kraft with misrepresenting the calcium content of its Kraft Singles product in advertisements. The complaint alleged that Kraft falsely claimed in ads that a slice of Kraft Singles contains the same amount of calcium as five ounces of milk and contains more calcium than do most imitation cheese slices. The complaint further charged that Kraft represented that it possessed substantiation for these claims when, in fact, it did not.

North American Philips Corp.

The Commission's complaint charged North American Philips with making false and unsubstantiated advertising claims for its Norelco brand Clean Water

PART III (ADJUDICATIVE STAGE)
CONSENT AGREEMENTS ACCEPTED
AND PUBLISHED FOR PUBLIC COMMENT

CONSUMER PROTECTION MISSION

Jerome Milton, Inc., et al.

Jerome Milton, maker of Shane toothpaste, agreed to have one scientific test to substantiate claims that Shane cures or alleviates the symptoms of canker or cold sores, or reduces tooth sensitivity. The agreement requires Milton to have at least two scientific tests to substantiate claims of superiority in reducing plaque or alleviating gum problems associated with gingivitis or periodontitis.

Volkswagen of America, Inc., et al.

Volkswagen of America agreed to establish an arbitration program for owners of certain Volkswagens and Audis with faulty valve seals and other oil consumption related problems. This agreement could potentially involve one million automobiles. The costs for repairing oil consumption related problems range from \$125 to \$2,000.

established policies permitting and supervising collective rate filing through rating bureaus. First American also agreed to withdraw from a law suit, that challenges the Commission's authority to issue the complaint in this case, filed by the title insurance companies named in the Commission's 1985 complaint. To insure that First American would not be subject to a greater burden than that which may be imposed later on the five other companies named in the Commission's complaint, the agreement contains a provision to allow First American to accept any final order or judgment which may be entered against any of the other insurance companies.

Roswil Inc.

Roswil Inc. agreed to refrain from engaging in concerted action that restricts the gathering or reporting of comparative grocery-price data. The consent order settled charges that Roswil and other grocers conspired to suppress price competition and deprive consumers of comparative price information. According to the complaint, Roswil and two other area grocers had agreed to prevent an independent firm from conducting comparative price surveys in their Springfield, Missouri stores unless the survey firm bought the items it checked. The Commission alleged that the requirement to pay for items whose prices it checked made the survey prohibitively expensive, and the grocers' concerted action led to the termination of the program. Under the consent order Roswil may not: require price checkers to buy the surveyed items; deny price checkers the same access to Roswil's stores as customers; or coerce any price reporting. Roswil must also take several steps to increase the likelihood that price surveys will be resumed in Springfield. According to the order, the company must reimburse the local cable television station up to \$1,000 of its costs if it decides to broadcast a comparative grocery-price program. Roswil must also notify the public that such a program is being aired.

CONSUMER PROTECTION MISSION

Buckingham Productions, Inc., et al.

Buckingham Productions, marketers of the "Rotation Diet" and several other weight-reduction plans, agreed to stop misrepresenting the effectiveness of its programs, products, and services. The agreement also restricts Buckingham's use of endorsements and requires that it disclose any relevant relationship between an endorser and the company.

Electronic Systems International, Inc.

Electronic Systems International, maker of "Savit" duty cyclers, agreed to stop making unsubstantiated efficacy claims about its products and services. Duty cyclers are devices that allegedly increase the efficiency of home heating and cooling units by causing the thermostat to turn the units on and off more frequently than it would ordinarily. Duty cyclers retail for \$400 to \$500.

INITIAL DECISIONS

MAINTAINING COMPETITION MISSION

Detroit Auto Dealers Association, Inc.

An Administrative Law Judge dismissed charges that Detroit-area motor vehicle dealers and dealer associations illegally conspired to limit consumers' ability to shop and compare the motor vehicle prices of a number of dealers. According to the 1985 complaint, the dealers and associations hurt consumers and reduced competition among Detroit-area dealers by conspiring to limit their hours of business. The judge found that the weeknight and Saturday closings were the result of a labor dispute between the sales employees and their unions and the dealerships and their associations and that there was no evidence that the limited hours eliminated competition among the dealers by increasing the retail prices of cars sold in the Detroit area. The judge further ruled that, although consumers were inconvenienced by the shorter hours, the efforts to restrict business hours were covered by the labor exemption to the antitrust laws because the closings eliminated competition over hours and working conditions.

Motor Transport Association of Connecticut, Inc.

An Administrative Law Judge dismissed a 1984 complaint against Motor Transport Association of Connecticut Inc. The complaint alleged that the association, a transport rating bureau, illegally conspired with its members to set and collectively file transportation prices for property shipped by motor carriers in the state of Connecticut. The judge ruled that while the association's price fixing activities were illegal, the activities were exempt under the "state action" doctrine since collective rate making is authorized and monitored by Connecticut's Department of Public Utility Control. The judge found that the DPUC w0 monitored

Vermont since tariff filings by motor carriers in that state are no longer required.

CONSUMER PROTECTION MISSION

Removatron International Corp.

An Administrative Law Judge ruled that Removatron,

Interco, Inc.

The Commission modified a 1978 consent order with Interco, Inc. and its Londontown Corp. and Queen Casuals, Inc. subsidiaries by deleting the exclusive dealing prohibitions. The order settled charges the companies fixed prices and unlawfully prohibited retailers from purchasing footwear from other manufacturers.

McKesson Corp.

The Commission granted in part and denied in part a petition filed by McKesson Corp. (formerly Foremost-McKesson) to reopen and set aside a 1973 consent order. The partial modification of the order deleted the provisions that prohibited McKesson from offering customers any compensation to attend its trade shows if the inducement depended on the volume of the customers' purchases from McKesson. The Commission denied the request to vacate the other two provisions of the order.

National Fire Hose Corp.

The Commission set aside a 1979 consent order that prohibited National Fire Hose Corp. from restricting the customers or territories in which a distributor could sell National's products. The Commission ruled that prohibiting National from imposing otherwise lawful territorial restrictions on its fire hose distributors appeared to lessen the efficiency of National's distribution system and to discourage distributors from carrying and promoting National's products.

Union Carbide Corp.

The Commission approved in part a request by Union Carbide Corp. to reopen and modify a 1977 consent order. The Commission granted Union Carbide's petition to delete all references to welding products and gas welding apparatus and denied Union Carbide's request that it be allowed to enter into long term contracts that require industrial gas distributors to buy all of their gases from Union Carbide. In addition, the Commission denied the request to delete the prior-approval provision for certain acquisitions and to instead allow the company to give the FTC 30 days notice.

CONSUMER PROTECTION MISSION

Beneficial Corp.

The Commission modified a 1979 consent order with Beneficial Corp. concerning the company's income tax preparation services. A prohibition on the use of their term "instant tax refund" was removed, but Beneficial is required to disclose that a fee is involved and must make the refund within five days. The company is also required to disclose that its offer to pay obligations resulting from the company's errors does not include payment of taxes that its customers owe. In addition, the Commission deleted a prohibition against advertising the expertise of Beneficial's tax preparers, modified an absolute prohibition against advertising the percentage of customers that receive income tax refunds, and modified a prohibition against the disclosure of confidential taxpayer information, allowing disclosure under IRS procedures.

Ford Motor Company, et al.

The Commission modified a consent order issued against Ford Motor Co. and Ford Motor Credit Co. that established procedures for the sale of repossessed cars and light trucks. Under the modifications, the Commission replaced the repossession accounting procedure with a "repossession guide" that Ford must provide its dealers to give them guidance in handling repossessions in various states. In addition, the modified order eliminates specific limitations on deductions dealers are allowed to take when calculating surpluses, and substitutes a provision permitting them to deduct costs allowed under state law.

Glendinning Associates, Inc.

The Commission modified a 1976 consent order with Glendinning Associates concerning restrictions on contests the company prepares and sells. The Commission lifted a prohibition against running skill contests that are not based on matters of established provable fact. It also altered provisions requiring skill contests to be based on reference materials that are available in the typical public library and requiring disclosure of the names of the particular reference books containing the answers. The Commission replaced those provisions with new ones requiring that correct answers be ascertainable from authoritative reference works and that contestants be informed of that fact.

PRELIMINARY AND PERMANENT INJUNCTIONS

MAINTAINING COMPETITION MISSION

American Hoechst Corp.

The Commission authorized its staff to seek a preliminary injunction to bar the proposed acquisition of Celanese Corp. by American Hoechst Corp. The Commission alleged that the proposed acquisition could reduce competition in the production of textile fiber in the United States. Prior to filing for an injunction, the Commission accepted a consent agreement with American Hoechst that resolved the antitrust concerns.

E.I. DuPont de Nemours and Co.

The Commission authorized its staff to seek a preliminary injunction barring the proposed acquisition of Asamera, Inc.'s Denver area refinery and other assets by Conoco, Inc. Conoco, a subsidiary of Dupont, proposed to acquire Asamera Pipe Line Inc., its one-third interest in the Antelope Pipe Line System, a petroleum refinery in Commerce City, Colorado, and other petroleum assets in Colorado and Wyoming. The Commission alleged that the proposed acquisition could substantially lessen competition in the purchase and transportation of crude oil in the Denver area and increase prices for gasoline, diesel fuel, and other refined products in Denver and in eastern Colorado. The parties canceled the transaction before the motion for an injunction could be filed in federal district court.

Invacare Corp.

The Commission authorized its staff to seek a preliminary injunction to block Invacare Corporation's proposed merger of Huntco Health Care Inc. The Commission alleged that the merger could substantially reduce competition in the production and sale of home care beds, portable health-care beds leased by consumers for home use. Invacare and Huntco are the two largest domestic manufacturers of home care beds. The merger was abandoned before the motion for a preliminary injunction could be filed in federal district court.

Kidde Inc.

The Commission authorized its staff to seek a preliminary injunc-

tion to block the proposed acquisition of Harnischfeger's crane business by Kidde Inc. The Commission alleged that the proposed acquisition would reduce competition in the sale of mobile hydraulic cranes used in the construction of multi-story buildings. Kidde's Grove Manufacturing Co. subsidiary and Harnischfeger are the two largest suppliers of mobile hydraulic cranes in the United States. The companies abandoned the transaction prior to the filing of the injunction action.

Pacific Resources, Inc.

The Commission authorized its staff to seek a preliminary injunction to bar the acquisition of Shell Oil Co.'s petroleum distribution and marketing assets in the State of Hawaii by Pacific Resources Inc. The Commission alleged that the acquisition could substantially reduce competition in the distribution of gasoline from terminals and increase the ability of other Hawaiian refiners to raise prices at the terminal level.

Supermarket Development Corp.

The Commission authorized its staff to seek a preliminary injunction to bar Furr's Inc., a wholly-owned subsidiary of Supermarket Development Corp., from acquiring Safeway's El Paso division. The Commission alleged that the proposed acquisition of grocery stores and other assets in south and west Texas and New Mexico could substantially reduce competition among grocery stores in the area., Prior to filing the injunction action, the Commission accepted a consent 1 Tc (TD erp.) with from

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CONSUMER PROTECTION MISSION

Alaska Land Leasing, Inc., et al.

The Commission obtained a permanent injunction against Alaska Land Leasing, Federal Lease Filing Corp., and nine other corporate and individual defendants for fraudulently selling oil and gas leases, in Alaska, that have little or no value. The defendants sales were approximately \$18 million. Consumers will receive \$1,980,000 in refunds under the settlement reached with the defendants.

American National Cellular, Inc., et al.

The Commission obtained a settlement with American National Cellular requiring defendants not to mislead potential investors about the chances of winning ~~TD~~ 18 -25.4y-42 TD 0.0254 Tc (in) Tj -441.36lottnt T

Atlantex Associates, Ltd.

The Commission filed a complaint charging Atlantex, a Miami-based telemarketing firm, with falsely claiming it could guarantee investors long-term, low-risk, high-level income from oil and gas drilling partnerships. The Commission alleged that consumers lost more than \$8 million of their investments in the drilling partnerships. A temporary restraining order was issued and a freeze of defendant's assets was ordered. The Commission is seeking permanent injunctions and consumer redress.

Charles Michael Fischer

Charles Michael Fischer, a defendant in the American National Cellular case, pled guilty to criminal contempt charges and was sentenced to six months imprisonment. Mr. Fischer was charged with violating a 1985 injunction prohibiting misrepresentations in connection with the marketing of services for preparing cellular telephone lottery applications.

Comprehensive Accounting Service Co.

The Commission obtained a settlement with the nation's largest franchiser of bookkeeping, accounting, and tax services, for violating the law by misrepresenting the earnings and profits of its franchisees. The company will provide former and current franchisees 25 percent of their original franchise fee, for an estimated total of \$3.5 million. Comprehensive Accounting has sold more than 800 franchises over the last two decades, and has approximately 350 currently in operation.

Copy Data Systems, Inc., et al.

Under a settlement, Copy Data Systems agreed to pay \$300,000 in consumer redress and to stop its challenged practices. The complaint charged the company with making repeated misrepresentations in selling photocopy supplies over the telephone to small businesses and nonprofit organizations around the country.

Crane-Weiland Funeral Directors

The Commission filed a complaint in federal district court charging the owners of Crane-Weiland Funeral Directors with failing to provide consumers with information required by the Funeral Rule.

The Commission asked the court that the funeral directors be ordered to pay civil penalties and be enjoined from violating the rule in the future.

Credit-Masters, et al.

The Commission obtained a settlement with John Liberto, owner of a mail order credit company prohibiting him from misrepresenting his services and requiring him to provide redress in the form of public service announcements that warn consumers about potentially deceptive credit services. Mr. Liberto conducted business under several names, including Credit-Masters, and advertised the availability of loans and major credit cards for consumers in more than 25 nationwide journals and newspapers.

Crystal Ford Ltd., et al.

The Commission filed a complaint against Crystal Ford and its president for violating the Used Car Rule by failing to display properly completed window stickers on the used vehicles it offered for sale to consumers. The Commission asked the court to order the Maryland car dealership to pay civil penalties and not to violate the rule in the future. This was the first time the Commission brought charges for violations of the used car rule since it went into effect in May 1985.

Dudley Hughes Funeral Home

The Commission filed a complaint in federal district court charging the owner of Dudley Hughes Funeral Home with failing to provide consumers with information required by the Funeral Rule. The Commission asked the court that the company be ordered to pay civil penalties and be enjoined from violating the rule in the future.

Hopkins Dodge and Freeway Dodge

A federal district court found that Hopkins Dodge and Freeway Dodge had violated the Truth-in-Lending Act's credit advertising rules. The Commission had charged the two Minneapolis-St. Paul automobile dealers with giving consumers incomplete information in their ads, even after staff

Jerald Woods

Jerald Woods pled guilty to criminal contempt charges for violating a 1985 injunction issued in the American National Cellular case. Mr. Woods was sentenced to a suspended six month prison term and three years of supervised probation for violating a 1985 injunction prohibiting misrepresentations in connection with the marketing of services for preparing cellular telephone lottery applications.

Michael Godfree

Michael Godfree, former president of American National Cellular, was found guilty of criminal contempt of court for wilfully disregarding a 1985 court order freezing his assets. He was sentenced to a suspended term of six months in prison, given five years probation, required to pay \$28,000 in restitution, and ordered to devote 500 hours to community service.

Numis Group, Inc.

The Commission obtained a temporary restraining order and asset freeze against Numis Group, a nationwide seller of coins for investment, with total sales of several million dollars a year. The complaint charges the company with misrepresenting the value and investment potential of its coins. The Commission is also seeking preliminary and permanent injunctions and an order to pay consumer redress against Numis Group, its predecessor Schoolhouse Coins, and three individuals. The court appointed

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Rare Coin Galleries of America, Inc., et al.

The Commission obtained an agreement requiring that owners of three nationwide rare coin companies transfer most of their personal assets to a bankruptcy trustee for payment of creditors, including consumers. The agreement settles charges that the coin dealers misrepresented the grade and investment value of the coins they sold. Under the settlement, the defendants are permanently prohibited from selling rare coins to the public and from grading rare coins that are for sale to the public.

Security Rare Coin & Bullion Corp.

The Commission filed a complaint in federal district court charging Security Rare Coin & Bullion, a leading manufacturer of coins for investment, with misrepresenting the value and investment potential of the coins. The Commission alleged that many of the coins graded by the company were substantially inferior to similarly graded coins available from other dealers. The Commission asked the court to grant a temporary restraining

future, and also agreed to disclose material facts about the grading and investment value of rare coins.

Theodore Weiswasser

The Commission filed a settlement with Theodore Weiswasser, prohibiting him from having any further connection with timeshare businesses. Weiswasser was charged with misrepresenting vacation timeshare interests in Hawaii, Lake Tahoe, Nevada, and the state of Washington. He is currently serving a three year prison term for criminal contempt for his operation of timeshare programs in Texas in violation of a 1981 preliminary injunction.

Trans Alaska Energy Corp., et al.

The Commission obtained a permanent injunction and order requiring Trans Alaska to pay \$2.1 million into a consumer redress fund to settle charges it misled customers into buying worthless oil and gas leases. The Commission charged that the defendants used a fraudulent telemarketing scheme to induce consumers to invest thousands of dollars each by misrepresenting the value of oil and gas leases on federal land located in Alaska and Wyoming.

Volcano Mines, Inc., et al.

The Commission charged in federal district court that the Volcano Mining Project was a bogus investment scheme. Several of the defendants in the matter agreed to pay \$65,000 into a consumer redress fund. According to the complaint, Volcano Mining sold unmined ore from a mine in New Mexico to consumers as an investment, falsely claiming that gold and silver had been processed from the mine and that consumers would receive a return of \$45,000 to \$100,000 on a \$9,600 investment.

World Travel Vacation Brokers, Inc.

The Commission charged that World Travel Vacation Brokers misled consumers about the price of the Hawaiian vacations it offered, and did not give refunds to consumers who canceled their purchases. The federal district court issued a temporary restraining order prohibiting these practices and froze the defendant's assets. The Commission is seeking a permanent injunction against these practices. The complaint charged that the company told consumers that they had to pay only \$29 for a travel certificate that would

entitle them to one round trip airfare to Hawaii. In fact, consumers had to purchase accommodations from World Travel, which then added the actual cost of the airfare to the rates charged for accommodations.

CIVIL PENALTY ACTIONS

MAINTAINING COMPETITION MISSION

American Hospital Supply Corporation

The U.S. District Court for the Northern District of Illinois ordered American Hospital Supply Corporation to pay \$600,000 in civil penalties for violating a 1981 consent order. According to the complaint, American Hospital Supply acquired eight firms engaged in the sale of urological catheters between June 30, 1981, and May 31, 1983, in violation of a consent order that prohibited the company from acquiring companies engaged in the manufacture and distribution of catheters. The 1981 consent order settled charges that American Hospital Supply's acquisition of American Cystoscope Makers, Inc. would create a monopoly in the urological industry. The consent ordered the divestiture of American Cystoscope and placed American Hospital Supply under a prior approval provision for a ten-year period. The complaint further alleged that American Hospital Supply filed four false compliance reports between 1981 and 1983, stating that the company has not made any acquisitions for which prior approval was required.

Union Carbide Corp.

The Commission charged Union Carbide Corp. with violating a 1977 consent order by offering or entering into contracts prohibited by the order. According to the complaint filed in the U.S., District Court for the Southern District of New York, Union Carbide entered into, or offered, at least 34 contracts or agreements requiring its distributors to purchase industrial gas over an initial term in excess of one year. The consent order prohibited Union Carbide for a period of 20 years from entering into such contracts, unless the contract had an initial term of less than one year and was also terminable annually upon not more than ninety days notice. The complaint sought maximum civil penalties and other injunctive relief.

CONSUMER PROTECTION MISSION

ACB Sales & Services, Inc., et al.

ACB Sales & Services, a major debt collection organization, was ordered to pay \$350,000 in civil penalties as a result of charges that it violated the law by using abusive, deceptive, and unfair practices in collecting debts. The company was charged with violating a 1974 order and the Fair Debt Collection Practices Act.

Alan F. Goda

Alan F. Goda, one of eleven defendants named in the Trans Alaska Energy Corp. complaint, agreed to pay \$100,000 in civil penalties to settle Commission charges of defrauding consumers by inducing them to invest in worthless oil and gas leases in Alaska and Wyoming. Goda was also permanently enjoined from future violations of the FTC Act.

Allied Stores Corp.

Allied Stores Corp. agreed to pay \$25,000 as an additional civil penalty under an agreement filed in court amending a 1984 consent decree. The 1984 decree settled charges that Allied's Gertz division violated federal credit laws and required Allied to pay a civil penalty of \$122,000. Under the amendment, the Commission agreed to delete a notice requirement of the original decree and Allied agreed to pay an increased penalty.

Avanti Group (U.S.A.) Ltd.

A consent decree requires the Avanti Group, a Georgia based fur retailer, to pay civil penalties of \$80,000 to settle Commission charges. The complaint charged the company with violating the Fur Products Labeling Act and the FTC Act by selling used fur garments as new and by mislabeling furs.

Central Adjustment Bureau

Central Adjustment Bureau, one of the nation's largest debt collection agencies, was ordered to pay a civil penalty of \$150,000 for violating the Fair Debt Collection Practices Act. The company was charged with making false threats of legal actions and harassing consumers.

Control Technology, Inc.

Control Technology, seller of franchises for energy-management

Molbe Shoes, Inc.

Molbe Shoes, a nationwide mail order marketer of clothing, agreed to pay \$32,000 in civil penalties to settle Commission charges it violated the Mail Order Rule. The company, also known as French Boot Shop and FBS, is prohibited from violating the rule, and specifically prohibited from deeming orders cancelled and offering a company credit for purchases of alternative merchandise.

North American Office Systems, Inc., et al.

North American Office Systems was ordered to pay \$60,000 in civil penalties to settle charges it deceptively marketed and sold photocopy supplies through a telephone boilerroom operation. The complaint charged that the company misrepresented its affiliation, the brand of products it sold, and the price of products to small businesses and nonprofit organizations around the country.

Norwest Financial, Inc.

Norwest Financial, one of the largest consumer finance companies in the country, agreed to pay \$135,000 in civil penalties for violating federal credit statutes. The company was charged with failing to give consumers required information when they were denied credit, which is in violation of the Equal Credit Opportunity Act and the Fair Credit Reporting Act.

PC Network, Inc.

PC Network, a nationwide seller of computer hardware and software, was charged with violating the law by failing to give customers the option to cancel orders that were delayed, and failing to honor guarantees promptly. A consent decree settling the charges requires the company to pay \$61,000 in civil penalties. It also prohibits it from violating the Mail Order Rule and the FTC Act in the future, and requires it to honor any membership or product guarantee it offers.

Raffoler Ltd., et al.

Raffoler, a New York mail order company, agreed to pay \$150,000 in civil penalties to settle charges it violated the Commission's Mail Order Rule by not shipping merchandise on time and by not offering consumer refunds. The company sells inexpensive items

such as watches and telephones through newspaper advertisements.

Robert L. Garvin

Robert Garvin, president of Quality Cars, agreed to pay \$20,000 in civil penalties for violating the Used Car Rule by failing to display properly completed Buyers Guide window stickers on used vehicles offered for sale. Mr. Garvin was also charged with failing to provide all required information on Buyers Guides that were posted, and failing to give purchasers of used vehicles a copy of the Buyers Guide.

Sears, Roebuck & Co.

Sears, Roebuck and Co. agreed to pay \$200,000 in civil penalties to settle Commission charges that it misrepresented the amount of down filling in garments. Sears agreed not to sell any down garment that is mislabeled as to down or down and feather content. It also may not misrepresent the filling content of any down garment in an advertisement. Sears also agreed to provide the Commission, on request, with down garments to be tested by an independent laboratory.

Sheldon Friedlich Marketing, et al.

Seven mail order companies and three individual respondents agreed to pay \$600,000 in civil penalties for the

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the effectiveness of its thermal insulation products. The consent judgment prohibits the defendants from violating the Insulation (R-Value) Rule in the future.

Tuff-Tire America, Inc.

The sellers of "Mr. Tuff-Tire" franchises were ordered to pay \$870,000 in civil penalties and \$1.4 million in refunds to consumers who bought 87 franchises based on misrepresentations by the sellers. Purchasers of the franchises paid amounts ranging from \$2,000 to \$98,000. Defendants were also ordered not to violate the Franchise Rule in the future.

Walser Motors

Walser Motors, a Minneapolis-St. Paul automobile dealer, was permanently enjoined from violating federal credit statutes. The complaint charged the company with failing to comply with the Truth-in-Lending Act in its ads, after receiving from Commission staff, copies of the law and an explanation of what was wrong with its ads and how to correct them. Walser may be required to pay a civil penalty of \$60,000 depending on the outcome of litigation against two other automobile dealers.

APPELLATE COURT DECISION

Hospital Corporation of America

On December 18, 1986, the United States Court of Appeals for the Seventh Circuit affirmed and enforced the Commission's order against Hospital Corporation of America that required the divestiture of two acute care hospitals in Chattanooga, Tennessee.

Louisiana-Pacific Corp.

On February 5, 1987, the United States District Court for the District of Oregon ruled that the Commission's denial of Louisiana-Pacific's 1980 petition to reopen the 1979 order violated the Administrative Procedure Act. The Court remanded the matter to the Commission with instructions to reopen the order and to consider whether the order should be modified. The Commission appealed this ruling to the United States Court of Appeals for the Ninth Circuit.

Owens-Corning Fiberglas Corp.

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On February 2, 1987, the United States District Court for the Northern District of Ohio reversed a 1985 Commission decision approving the proposed divestiture of two Owens-Corning asphalt roofing plants to U.S. Roofing. The court ruled that U.S. Roofing would not be able to manage and operate the divested assets successfully and terminated Owens-Corning divestiture obligations under the 1984 final judgment.

SUPREME COURT DECISIONS

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Hospital Corporation of America

On May 4, 1987, the Supreme Court denied Hospital

WORKING PAPERS

Economic Working Papers are preliminary, unpublished work products of the Bureau of Economics, resulting from original research by Bureau staff, either in connection with ongoing agency activities or independent analyses. The papers usually entail relatively minor allocations of official time.

Mergers, Event Studies, and Systematic Risk, (WP #145), Paul Kupiec and Alan Mathios, October 1986.

Advertising and Product Quality: The Role of the Bonding Characteristics of Advertising, (WP #148), Pauline M. Ippolito, December 1986.

Why Price Correlations Do Not Define Antitrust Markets: On Econometric Algorithms for Market Definition, (WP #149), Jonathan B. Baker, January 1987.

Free Trading or Free Riding: An

generally entail small amounts of agency resources. These papers may be prepared by FTC staff economists or by outside individuals who have been granted access to economic data compiled by the FTC. These papers usually explore well-defined industrial organization and management strategy questions of interest to the broad policy concerns of the Commission.

Divisional Sell-Off: A Hazard Function Analysis, David J. Ravenscraft and F.M. Scherer, October 1986.

The Effect of Industry Heterogeneity in Structure-Performance Studies, David R. Ross and Ralph M. Bradburd, March 1987.

Unionization and industry R&D Intensity, Jane Pietrowski, October 1986.

CONSUMER AND COMPETITION ADVOCACY

OFFICE OF CONSUMER AND COMPETITION ADVOCACY

In fulfilling its competition and consumer protection missions, the Commission seeks to prevent or lessen consumer injury caused by private or governmental interference with the proper functioning of the marketplace. Growth in number and reach of laws and regulations have made legislative and other governmental bodies important participants in the market economy. In some instances, laws or regulations may have injured consumers by restricting entry, protecting market power, chilling innovation, limiting competitive responses of firms, and wasting resources without providing countervailing benefits. These results may occur because the interests of consumers often are not well represented in the regulatory process. The basic goal of the staff's advocacy program is to reduce these adverse effects on consumers by assisting appropriate governmental entities in understanding the potential effects on the market and on consumers, of proposed legislation or regulations. The Office of Consumer and Competition Advocacy is the central source of planning, coordination, review, and information for the staff's work in this area.

In fiscal year 1987 the staff submitted 102 comments on a variety of issues in such areas as advertising, antitrust, communications, environment, finance and credit, health care, international trade, occupational licensing, product labeling, professional conduct, rent control, transportation, and vertical restraints.¹

ADVERTISING

The staff suggested ways in which the SEC could meet its goals without sacrificing the consumer benefits associated with truthful, nondeceptive ads.

The Commission filed a brief before the Superior Court of New Jersey in *Coldwell Banker v. N.J. Real Estate Commission* that discussed a state regulatory agency's potential interpretation of an ambiguous regulatory rule. The interpretation would have prohibited real estate brokerage firms from competing for consumers' business by means of publicly advertised coupons offering buyers and sellers of residential real estate discounts on retail goods and services. The Commission argued that such an interpretation would be unlikely to protect consumers, but could lessen price competition.

See also Professional Conduct and Health Care.

¹ The number of comments discussed above is less than 102 because pre-hearing briefs and petitions were counted as comments, but not summarized separately.

The FTC staff and the Department of Justice argued, in briefs on *Indian Head v.*

The staff submitted comments in New York supporting continued deregulation of interest rates and service charges and favoring required disclosure of certain credit terms in credit card applications. The staff suggested modifications to make the proposed mandatory disclosure less costly, however.

HEALTH CARE

Advertising

The staff submitted comments on advertising by health-care professionals in Florida, Kentucky, Louisiana, Missouri, New Jersey, New Mexico, South Carolina, Tennessee, and Virginia.

In letters on regulation of advertising of dental services in Florida, Kentucky, Louisiana, Missouri, New Jersey, Tennessee, and Virginia the staff suggested that some regulation may deprive consumers of useful information about dentists and their services and hinder competition among providers of dental services. The staff urged that an licensed dentists be permitted to advertise the services they may legally provide in truthful, nondeceptive ways, without overly burdensome disclosure requirements.

The staff submitted comments in letters on regulation of advertising by optometrists in New Mexico and South Carolina. Restrictions on truthful, nondeceptive advertising may raise prices above levels that would otherwise prevail and decrease the quality of care, possibly without countervailing benefit to consumers. The staff recommended that states consider repealing or amending restrictions on eye care professionals' truthful advertising and on the commercial form of their practice.

Also in South Carolina, the staff suggested that restrictions on advertising by physical therapists, occupational therapists, psychologists, speech pathologists, and podiatrists be repealed or modified to allow truthful, nondeceptive advertising. The staff recommended the repeal or modification of restrictions on certain other business practices of these professionals.

In New Mexico, the staff generally supported certain changes which would eliminate restrictions on chiropractors' advertising, but suggested two modifications.

Pharmaceutical Restrictions

The staff submitted comments to the Department of Health and Human Services on three proposals to change the payment scheme for drugs obtained through the Medicaid Program. The staff praised the efforts to encourage the distribution of lower cost drugs and offered

existing import relief for steel that the continuation of the restrictions could adversely affect competition in the domestic industry. Further, the Commission estimated that each job that is protected domestically costs U.S. consumers an average of \$83,000 per year, for a total of \$44 million annually.

OCCUPATIONAL LICENSING

The staff opposed a bill in New Mexico that provided for the licensing of interior designers, because it would inhibit entry into the profession and, therefore, would likely cause the price of design services to rise.

The staff submitted comments in Oklahoma on a bill that provided for the licensing of dry cleaners and the establishment of a regulatory board. The staff argued that the entry barriers would harm both competition and consumers, and the board's authority to set prices could eliminate price competition.

In Virginia, the staff submitted comments on the competitive effects of several proposed and existing regulations on licensure requirements and business restrictions on real estate brokers. The staff supported the proposal to allow real estate brokers to operate with more than one brokerage firm, but suggested that licensing standards and restrictions on a broker's use of his or her residence as a place of business be amended or deleted.

The staff submitted comments in Oregon on a proposed bin to require certification for pre-need funeral service sellers and to regulate the sale of such services. The staff expressed concern about the certification because it appeared to impose unnecessary restraints and could be used to keep out qualified sellers. The staff also suggested that a proposed reduction in the 100% trusting requirements might be beneficial and encourage increased sales.

The staff submitted comments to the Department of Labor on Labor-Related Issues (submitted) 6/13/87

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NASBA reconsider an ambiguous restriction on abusive solicitation, and supported a proposal to allow the use of nondeceptive trade names. The FTC staff opposed the New Mexico bill because the restrictions on accountant solicitation might prohibit truthful, nondeceptive communications.

For issues concerning the conduct of health-care professionals, see Health Care.

RENT CONTROL

The staff submitted comments opposing rent control on commercial property in New York City and mobile homes in Washington. The staff said that rent control would reduce the supply of space available. The staff suggested that a better approach would be to ease zoning requirements.

TRANSPORTATION

Airlines

The staff submitted comments to the Federal Aviation Administration on a proposal to adjust landing fees and other charges at National and Dulles airports. The staff suggested that economically efficient pricing will benefit air travelers.

Taxicabs

In California, Illinois, Massachusetts, New York, and Washington, the staff submitted comments that supported open entry into the taxicab market. In those markets with taxicab permits, the staff suggests increasing the number of permits. Free entry and unrestricted fare competition, the staff said, are in the best interests of consumers.

Other

The staff submitted continents to a "sunset" review in South Carolina. The continents reviewed the empirical evidence relevant to the economic regulation of trucks, buses, railroads, electrical utilities, and other areas of interest. The staff suggested several areas where South Carolina might be able to improve its regulations in order to avoid restrictive or anticompetitive practices.

VERTICAL RESTRAINTS

Dealerships

The staff submitted comments to Illinois (twice) and Texas on

restrictions on fleet sales of automobiles. The staff argued that competition is best served if it is free to operate without unnecessary regulation. The probable effect of such legislation is to reduce competition among used car dealers and to increase the prices consumers pay for used cars.

The staff submitted comments in Ohio and Wisconsin on automobile dealer entry restrictions. The staff cited the FTC's Bureau of Economics Staff Report on the effects of dealer entry regulations, which found that such laws raise automobile prices and have anti-competitive effects.

Distributorships

The staff submitted comments in Maryland and Nevada on restrictions on liquor/wine suppliers' ability to change or terminate their wholesale distributors. The staff argued that such restrictions would make it difficult for suppliers to distribute their products efficiently, and make it difficult to respond to changed market conditions.

Retail Divorcement

The staff submitted comments in California, Georgia, and Nevada on legislation that would prohibit petroleum refiners from owning retail gasoline outlets. The staff suggested that the prohibition would be anti-competitive and harmful to consumers because of higher prices for gasoline.

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