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Annual Report of the

FEDERAL TRADE

COMMISSION

1980

FEDERAL TRADE

COMMISSION

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Annual Report of the FEDERAL TRADE COMMISSION

For the Fiscal Year Ended

September 30, 1980

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FEDERAL TRADE COMMISSION

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DAVID A. CLANTON, Commissioner
ROBERT PITOFSKY, Commissioner
PATRICIA P. BAILEY, Commissioner

CAROL M. THOMAS, Secretary

LETTER OF TRANSMITTAL

FEDERAL TRADE COMMISSION
Washington, D.C.

To the Congress of the United States:

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

By direction of the Commission.

DAVID A. CLANTON,
Acting Chairman.

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

PERMANENT INJUNCTIONS

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

The Commission's Maintaining Competition an

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

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

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

ENERGY

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

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

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

TRANSPORTATION

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

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

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

CREDIT ACTIVITIES

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

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

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

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

penalties from Amoco Oil Co. and an additional $10,000 in civil penalties from a Georgia-based credit union. Westinghouse Credit Corporation, a subsidiary of Westing

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

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

The Commission granted two major exemptions to the Franchise Rule, determining that members of the petroleum and automobile industries need not comply with the rule requirements. Members of the p

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

The Commission issued final consent orders in 21 m

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

FOOD INDUSTRY

The Commission settled two cases affecting competitive forces in the food industry. National Tea Company agreed to divest grocery stores in the Minneapolis000 TD00 TD(competiti6s)Tj6nt. Paul arT1.00000 0.00000

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

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

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

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

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

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

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

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

During fiscal 1980, the Bureau of Economics issued five economic

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

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

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

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

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

THE IMPROVEMENTS ACT OF 1980

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

1. A New Section Governing the Reconsideration of Commission Orders. Section 5(b) of the FTC Act was amended to require the Commission to consider, and act within 120 days upon a petition by a person, partnership or corporation, to alter, modify, or set aside an order, in whole or in part, based upon changed conditions of law or fact.

2. Changes in Commission Practice Concerning Presiding Officers in Rulemaking Proceedings. The Improvements Act of 1980 mandates that presiding officers must be structurally and organizati

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

6. How Information May Be Sha

members of the public, small business associations, and local interest groups of numerous types. Overall,

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

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

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

COMPETITION MISSION

Genstar Ltd.

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

Binney and Smith

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

Milton Bradley Company

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

American Art Clay Company

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

SmithKline Corp.

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

CONSUMER PROTECTION MISSION

Montgomery Ward and Company

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

ble, Wards will relocate stoves for which it allegedly understated m

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

Jordan-Simner

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

Chrysler Corp.

In a settlement worth an estimated $45 million to consumers, Chrysler will replace certain rusted front fenders on 1976 and 1977 Aspens and Volares, or reimburse owners who have already m

Bob Rice Ford, Inc.

This Boise, Idaho Ford dealer agreed to notify certain past customers it improperly restricted the implied warranties on used cars. Rice Ford also will make warranties available prior to future sales. The complaint which would accompany the ag

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

Mobil Oil Corp.

Mobil Oil Corp. has agreed to disclose in its advertising that some automobiles using "Mobil 1," the company's synthetic motor oil, consume increased amounts of oil. Under the agreement, if the company claims in ads or in labels or packaging materials that Mobil 1 results in reduced oil consumption, it also must recommend that users check oil levels frequently. The ads and other materials must contain these disclosures within six months after the effective date o

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

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

COMPETITION MISSION

Forbes Health Systems Medical Staff

The medical staff of the Pittsburgh Hospital Group (Forbes) agreed not to hinder access of qualified physicians to staff privileges simply because the physicians are associated with certain types of health care plans (such as health maintenance organizations) or bimply b

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

Bayer A. G.

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

W.R. Grace and Company

W. R. Grace and Company is required to divest four "Handy Dan" home improvement stores acquired in its merger with Daylin, Inc. Grace may divest the stores individually, or as a unit, with the approval of the Commission. The complaint accompanying the consent agreement alleged that the acquisition reduced competition ac

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

Eli Lilly and Company

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

Clinique Laboratories, Inc.

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

Towle Manufacturing Company

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

Darvel, Inc.

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

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

Schlumberger Ltd.

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

Midland-Ross Corp. and Claude M. Blair

These two orders prohibit Midland-Ross from sharing directors with competing firms, and Claude M. Blair from serving as a director of competing firms. Blair served simultaneously on the boards of Midland-Ross and Gould, Inc. The complaint accompanying the consent alleges that while Blair served on both boards, Gould and Midland-Ross competed in the manufacture of various electrical-related hardware. Under the order, the company is required to institute internal monitoring programs to detect interlocks directors with com peting firms. (anie)TjET to0000sf

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

Pay Less Drug Stores Northwest, Inc.

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

Bendix Corp.

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

Totes, inc.

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

Tingley Rubber Corp.

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

CONSUMER PROTECTION MISSION

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

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

Karr Preventative Medical Products, Inc.

The maker of Acne-Statin is prohibited by the agreement from claiming that its product cures acne, eliminates acne's causes, or is superior to all other acne preparations unless it has other competent

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

Home Centers, Inc.

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

San-Mar Laboratories, Inc.

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

Harvey Glass, M.D.

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

AMF, INC.

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

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

Nolan's R. V. Center, Inc.

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

Shell Oil Company

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

Mid-City Chevrolet, Inc.

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

Hair Extension of Beverly Hills, Inc.

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

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

Kettle Moraine Electric, Inc.

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

S. Klein, Inc.

This Washington, D.C. women's clothing retailer agreed to make refunds to certain customers whose layaway contracts were unfairly canceled. Klein also agreed to alter its contracts to provide customers with

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

Hooper Holmes, Inc.

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

Fred Meyer, Inc.

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

Bill Crouch Foreign, Inc.

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

ANNUAL REPORT 1980

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PRELIMINARY INJUNCTIONS

COMPETITION MISSION

Mannesmann A. G.

The Commission sought a preliminary injunction to block a planned takeover of Harnischfeger by a West German firm, Mannesmann AG. The complaint charged that there was reason to believe the proposed $245 million acquisition would violate Federal antitrust laws. According to the complaint, the proposed acquisition would reduce competition in the production

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

PERMANENT INJUNCTIONS

CONSUMER PROTECTION MISSION

United Laboratories of America, Inc. .

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

H. N. Singer, Inc.

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

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United States Steel Corp.

Four major steel makers agreed to pay $440,000, one of the largest civil penalties in FTC history, to settle charges that they violated a Commission order by fixing prices on certain steel products used in building construction. United States Steel Corp., Bethelehem Steel Corp., Laclede Steel Company and Armco Steel Corp. allegedly violated a 1951 FTC order by conspiring to set and maintain prices of reinforcing steel bars sold in Texas. Steel bars are used to reinforce concrete structures in buildings, bridges ann

Modern Home Improvement Corp.

Modern agreed to a civil penalty consent judgment providing for the payment of $10,000 to settle charges that it used bait and sw

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

American Collection Systems, Inc.

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

Haband Company, Inc.

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

National Talent Associates, Inc.

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

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

Britene International Textile Corp.

This New York-based fabric importer agreed to a $20,000 civil penalty to settle charges that it mislabeled wool and textile products after being informed that doing so violated the law. Under the terms of the consent decree, Britene agreed not to misbrand wool products, misbrand or falsely or deceptively advertise textile fiber products, or distribute imported wool and textile fiber products, unless 0.00 0.00 rgBT2

denied customers rights under the FTC's Holder-In-Due-Course Rule, and illegally failed to give furnace buyers the opportunity to cancel the sales contracts. The Holder Rule applies when a person makes a credit purchase and the credit contract is later acquired by a finance company, bank or other party. The rule provides the consumer with the same rights against the holder of the credit contract as against the seller. Thus, i

the complaint. The complaint alleges the company also discriminated against women on the basis of sex and marital status by failing to consider the amount and source of income from alimony, child support, separate

ANNUAL RE

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

Tri-West Construction Company

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

ADMINISTRATIVE COMPLAINTS

COMPETITION MISSION

Central Florida Electrical Bid Depository, Inc.

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

Boise Cascade Corp.

The Commission's complaint alleges that Boise Cascade

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

Dr. Sherman A. Hope, et al.

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

Lehigh Portland Cement Company

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

Xidex Corporation

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

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

CONSUMER PROTECTION MISSION

Teledyne, Inc.

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

Southwest Sunsites, Inc.

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

General Motors Corp.

The Commission's complaint charged that General Motors failed to notify customers of potential transmission and engine problems in at least 4 million cars. The transmission identified in the complaint is in at least 4 million GM cars and affects most of the company's product lines. An unrelated problem of alleged premature camshaft wear involves the 305 and 350 cubic inch V8 engines used in several models. The 350 cubic inch V8 Oldsmobile diesel engine built between 1975 and 1980 also is cited in the complaint, which alleges that fuel injection pumps or fuel injectors in these engines are subject to defects and that certain maintenance information

PART III (Adjudicative Stage)
CONSENT AGREEMENTS ACCEPTED

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

COMPETITION MISSION

Atlantic Richfield Company,

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

Southland Corp.

Southland, one of the nation's largest dairy processors, may not purchase certain additional dairy facilities for the next 7 years without prior FTC approval. Southland in 1979 acquired Knowlton's Ii.as 0.00000 0.000 T

Bell & Howell Company

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

General Motors Corp.

General Motors and General Motors Acceptance Corp. will refund $2 million to consumers who should receive money back after their repossessed cars or trucks were sold. GMAC is a credit subsidiary of General Motors Corp. The complaint alleged that GMAC often conducted "sham" sales of repossessed motor

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INITIAL DECISIONS

COMPETITION MISSION

Indiana Federation of Dentists

The initial decision found that the Indiana Federation of Dentists was merely a "front" for den

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

CONSUMER PROTECTION MISSION

Horizon Corporation

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

Bristol-Myers Company

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

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

Sears, Roebuck & Company

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

Century 21 Commodore Plaza, Inc.

The Administrative Law Judge dismissed charges that a major realtor illegally required buyers of its Florida condominiums to enter into long-term leases of rec.769-on pfaciliti0.1200 23.4000 0.0000 O0.1200l0000 1.0

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

Litton Industries, Inc.

The ALJ found that advertisements for Litton microwave ovens falsely claimed that surveys have shown that that brand is preferred by "independent" service technicians. The ALJ ordered Litton and its subsidiary, Litton Systems, Inc., to stop claiming that its microwave oven is preferred or superior to other products unless the companies have a reasonabed9e0 0.ea(compani)TjEyasints f maks,

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FINAL COMMISSION ORDERS

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

Reuben H. Donnelley Corp.

The Commission ruled that the publisher of the Official Airline Guide unfairly refused to publish the connecting flight schedules of commuter airlines. The Commission ordered Donnelley to list the connecting flights of commuter airlines, but allowed the respondent to continue to list separately the schedules of certified commuter and intrastate air carriers. The Commission decision stated that there are no substitutes for the Official Airline Guide, and that Donnelley th

Herbert R. Gibson, Sr., et al.

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

CONSUMER PROTECTION MISSION

Francis Ford

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

George's Radio and Television

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

Columbia Research Corporation

The Commission found that this firm's offering to consumers of "free" vacations often proved costly, difficult or impossible to accept. The offers were made in mailings that told consumers they were "winners" of vacations. The Commission found that many of these consumers later were told that the vacations involved additional charges for such things as lodging; accommodations and benefits were not always as promised; and stringent conditions

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

MacMillan, Inc.

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

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APPELLATE COURT REVIEW OF COMMISSION ORDERS

Boise Cascade Corp.

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

Capax, Inc.

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

Equifax, Inc.

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

Federal Mogul Corp. and SKF Industries, Inc.

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

Grolier, Inc.

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

Jim Walter Corp.

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

Official Airline Guides, Inc.

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

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

Raymond Lee

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

SCM Corp.

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

Trans World Accounts

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

SUPREME COURT REVIEW OF COMMISSION ORDERS

Encyclopedia Britannica

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

Jay Norris, Inc.

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

Porter & Dietsch and Pay 'N Save Corp.

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

#28 Kwoka, John E., Jr. "Behavior of an Auto Firm under the Fuel Economy Constraint" June, 1980.

#29 Tarr, David G. "On the Explanation of the Efficient

INTERVENTIONS BEFORE OTHER FEDERAL AND STATE AGENCIES

Civil Aeronautics Board

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

Department of Energy

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

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

Department of Energy

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

California Air Resources Board

Providing its views at the request of the Board, the Bureau of Competition argued that California regulations governing warranties for automobile emission control systems may have severe economic consequences for the auto replacement parts and service industries, small businesses and consumers. The Bureau said these consequences do not appear to be justified by any environmental benefits, and recommended that the Board, which has major responsibility for the state's air pollution control program, reconsider its warranty regulations. Board regulations extend emission control system warranty coverage to a broad list of automotive parts for a five-year or 50,000-mile period. According to the Bureau comments, for the duration of the warranty period these regulations encourage consumers to obtain automotive parts and service only at new car dealerships using only the automakers' brands of repair parts. The Bureau argued that the regulations therefore could convert to automobile dealers a substantial volume of business that consumers have traditionally given to independent garages, voluntary automobi3600 333part

California warranty regulations and relying on the Federal program to meet California's clean air goals. Short of this, the Bureau recommended that the Board reduce the length of its warranty.

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

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

Interstate Commerce Commission

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

Interstate Commerce Commission

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

Federal Reserve Board

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

Media Policy Review Session Briefing Book
December, 1979.

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

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

Cancer Insurance, Policy Planning Issues Paper
January, 1980.

Post-Purchase Consumer Remedies Policy Review Session Briefing Book view Sess