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# International developments

## From the UK

The following items come from the Office of Fair Trading's website <<http://www.offt.gov.uk>> and its magazine, *Fairtrading*.

### UK advertisers face stricter rules

Advertisers in the UK face new conditions on their use of comparative advertising after a change in the law.

In the past, UK advertisers have had more freedom to compare their products and services with those of their rivals than some other European Union member states. Comparative advertisements now have to be careful not to be misleading under an amendment to the Control of Misleading Advertisement Regulations (CMARs). The change follows a European Directive to harmonise legislation across the EU.

The Director General of Fair Trading can take court action to stop further publication of advertisements that are misleading or fall foul of the new conditions.

### Misleading fuel claims stopped

The London-based company, Clockwork Orange Limited, has given written assurances to John Vickers, Director General of Fair Trading, that it will stop producing misleading advertisements for a product called Fuel Cat.

Fuel Cat is a catalyst of tin alloy pellets designed to be placed in either the fuel tank or fuel line of any vehicle. Advertisements claimed that it would save fuel, reduce exhaust pollution, improve performance, lower maintenance costs and enable unleaded fuel to be used in cars designed for leaded fuel.

Clockwork Orange could not substantiate these claims and tests by the Royal Automobile Club could not confirm them.

### Paragon to stop charging interest on debts subject to court orders

The Paragon Group of Companies plc has agreed to amend a term entitling it to charge interest on debts that are subject to court orders. The term entitles the lender to continue charging interest at the contractual rate while the instalments are being paid. Borrowers then discover that they still owe a large sum. It affects those borrowers who have:

- agreements regulated by the Consumer Credit Act;
- been taken to court for defaulting on their payments; and
- been made subject to an instalment order tailored to their ability to pay.

Paragon has agreed that it will not charge contractual interest unless it has informed consumers about their right to ask the court to reduce or stop the interest and the court has been made aware of its powers to do this.

## From the US

The following items come from the Federal Trade Commission's press releases on its website <<http://www.ftc.gov>> and from *Antitrust & Trade Regulation*, published by the Bureau of National Affairs, Inc.

### **Adult website fined \$37.5 million for illegal billing scam**

The Federal Trade Commission has won a \$37.5 million verdict against an adult website operation. The defendants were accused of charging consumers' credit and debit cards for X-rated Internet visits they did not make and services they did not order. Thousands of consumers billed did not even own computers.

According to the FTC the defendants bought access to a database of credit card numbers from a California bank. The defendants illegally used the account numbers to place unauthorised charges. The FTC showed that the defendants used at least five different merchant accounts and four fictitious business names to process over \$40 million in credit and debit card transactions.

The court concluded that the defendants had processed bogus charges totalling more than \$43 million. The \$37.5 million damages represent the illegal charges minus the amounts that consumers already received through charge-backs and credits.

### **Report on the marketing of violent entertainment to children**

The FTC released its report *Marketing Violent Entertainment to Children: A Review of Self-Regulation and Industry Practices in the Motion Picture, Music Recording & Electronic Game Industries*. The report had to answer two questions. Do the industries promote products they themselves acknowledge warrant parental caution in venues where children make up a substantial percentage of the audience? And are these advertisements intended to attract children and teenagers? The answer to both these questions for all three segments of the entertainment industry was 'yes'.

The report finds that companies in those industries still target children under 17 when their own rating systems deem the products as inappropriate due to violent content. The FTC also found that most retailers make little effort to restrict children's access to products with violent content. The Commission believes that all three industries should take more steps to enhance their self-regulatory efforts. The industries should establish or expand codes to prohibit

target marketing of an under-17 audience. They should increase compliance at the retail level and increase parental understanding of the ratings and labels.

### **Lottery scam targeted the elderly**

The FTC has won a \$19.7 million judgment against Canadian telemarketers charged with operating an illegal international lottery scam. The defendants made calls from a boiler-room in Toronto persuading consumers, mostly the elderly, to send between \$29 to thousands of dollars to invest in the lotteries. Buying and selling foreign lottery tickets are illegal in the United States.

An order was entered that will permanently bar the defendants from telemarketing or assisting in the telemarketing of any product or service to consumers in the US and bars them from selling or promoting lottery tickets or interests in lottery tickets to US residents.

### **Workshop for victims of identity theft**

A two-day workshop in October for victims of identity theft focused on examining solutions to assist them. Victims described their experiences when reporting fraud and clearing their names with creditors, consumer reporting agencies, police, government agencies and the courts.

Improved methods to clear up the victim's credit history were explored, including streamlining processes for reporting fraud, clearing fraudulent criminal records and clearing the victim's name of a bankruptcy record. Participants included victims, consumer advocates, law enforcement representatives, consumer reporting agencies and representatives of financial institutions and other creditors.

### **US and UK sign consumer protection agreement**

Representatives of the FTC, the UK Department of Trade and Industry and UK Office of Fair Trading signed a memorandum of understanding to facilitate law enforcement cooperation in consumer protection. The agreement was signed during a meeting of the International Marketing Supervision Network (IMSN). The main aim of the IMSN is to improve information sharing and cooperation among international law

enforcement agencies to prevent and redress marketing practices with an international component.

Consumers are more than ever engaging in cross-border transactions via the Internet and there is a greater need for cross-border law enforcement cooperation. The FTC wants to strengthen international efforts to better combat fraudulent, misleading and unfair commercial conduct through organisations such as the IMIS and agreements like the MOU.

## From Canada

The following items come from the Competition Bureau's website at <http://competition.ic.gc.ca>.

### **Air Canada suspected of anti-competitiveness**

The Commissioner of Competition has issued Air Canada a temporary warning to cease offering or selling special discount fares on five routes in Eastern Canada.

Canjet, a Halifax-based air carrier, alleged that on entering the market on 5 September 2000, Air Canada reduced its rates to target Canjet on specific routes. Based on preliminary information, the Bureau believes that Air Canada's pricing response could be anti-competitive.

The order gives the Bureau time to determine whether there is sufficient evidence to apply to the Competition Tribunal for an order prohibiting these fares. This is the first time that the Commissioner had issued a temporary cease and desist order. These orders are exclusive to the airline industry.

### **Snow removal companies fined \$1 million for conspiracy**

The Competition Bureau announced recently that the Quebec Superior Court imposed a \$1 million fine on five snow removal companies and a consulting firm for conspiracy. The firms pleaded guilty to the charge of conspiring to share the market and lessen competition in snow clearing, removal and transportation.

The offence involved an agreement to share snow removal contracts awarded by the Ministère des Transports du Québec for the 1997-98 season. The total value of the contracts was approximately \$4.6 million.

## From New Zealand

The following items came from the NZ Commerce Commission's media releases listed on its website at <http://www.comcom.govt.nz>.

### **Fine imposed on company for selling unsafe teddy bears**

The Auckland District Court ordered toy importer, Deco Fashions Limited, to pay \$9260 in fines and costs after it supplied 45 000 unsafe teddy bears to Shell New Zealand Limited and Shell donated some of the teddy bears to Barnardo's Children's Trust.

Before buying the teddy bears, Shell had asked Deco to make sure that the bears met the required safety standards. Shell and Barnardo's have since recalled and destroyed the teddy bears. The teddy bears had seams that came undone easily and the beads, with which the bears were stuffed, spilled out. The beads were a choking hazard to young children.

The court ruled that Deco had passed all the responsibility of the safety tests to its supplier without ascertaining whether the tests had in fact been carried out. Deco had therefore not taken reasonable precautions to prevent a contravention.

### **Fair Trading Act applies to websites**

Michael Hill Jeweller was fined \$1000 plus \$130 costs for breaching the Act by advertising 'Collisee' brand Cartier watches on its website when it had no reasonable grounds to believe that it could supply the watches.

The Commerce Commission's investigation showed that Michael Hill Jeweller continued to advertise Collisee watches for 20 days after stocks had sold out and no more were available.

This was the second e-commerce case the Commerce Commission has taken in the last month.

### **Inquiry into electricity line businesses**

The Commerce Commission is initiating an inquiry into pricing by electricity line businesses. This follows a government review of the electricity industry which led to the Commission taking on additional responsibilities including a price control regime for electricity line services.

The inquiry will be carried out under s. 54(3) of the Commerce Act and will examine pricing issues of both local electricity line businesses and the State-owned Transpower.

The Government has also announced that it will be transferring responsibility for the information disclosure regime from the Ministry of Economic Development to the Commission.

The Commission will also be responsible for reviewing the methods for valuing line business assets, for mandating any changes as appropriate and for undertaking a recalculation of asset values.

### **From Europe**

The following item comes from the European Commission's website at <http://europa.eu.int/rapid/start/cgi/guesten.ksh?qry>.

#### **Safer headgear for fire fighters**

Fire fighters not only have to face fires in forests or buildings, they also undertake rescue work, chemical hazards, meteorological catastrophes and oil spills. A European Commission funded research project brought together six businesses and one research institute to develop safe and multi-functional head protection.

French headgear specialist, CFG Gallet, was to develop a basic helmet design to which standard components, such as goggles, an infra-red lamp or a face shield, could be fitted as required. According to designer, Adriaan Schot, a fire fighter himself, the challenge lies in defining the risks. As the average European head is getting larger as body size continues to increase, part of the research work was to scan the heads of 20 000 Europeans to make a forward projection of head sizes. The produced helmet sizes should be suitable until the year 2020.