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Consumer News

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CONSUMER NEWS

by Charles R. Whitt

Historic overhaul of telecommunications laws

President Clinton recently signed the Telecommunications Act of 1996 ("the Act"), a bill that will change the way consumers receive telephone, television, computer, and other advanced technology services. The Act, the largest overhaul of telecommunications laws in history, lifts over 60 years of regulation, removes long-standing monopoly protections, and abolishes regulatory barriers that limited competition in certain businesses. The Act will enable consumers to receive long-

distance service from their local phone company; local phone service from their long-distance or cable company; or all telecommunications services, including cellular phone service, from one company. The Senate passed the measure by a 91-5 vote, less than an hour after the House approved it 414-16.

President Clinton applauded the bill's passage saying that "consumers will receive the benefits of lower prices, better quality and greater choices in their

telephone and cable services, and they will continue to benefit from a diversity of voices and viewpoints in radio, television and the print media."

Some consumer groups, however, opposed the measure arguing that once federal rate controls are removed, cable rates will rise. Furthermore, they fear the Act will deregulate industries which already have monopoly power before real competition arrives.

"For every protection in the

Sara Lee settles for record antitrust penalty

Sara Lee Corporation will pay \$3.1 million, the largest civil penalty any company has ever paid for violating antitrust premerger requirements. The penalty settles a U.S. Justice Department complaint that Sara Lee knowingly failed to notify the government in 1991 when it acquired the assets of its biggest competitor in the shoe business, the London based Reckitt & Colman PLC. Sara Lee, the \$17.7 billion dollar Chicago-based consumer goods giant, whose products include Jimmy Dean sausages, Aris Isotoner gloves, L'eggs and Hanes hosiery plus numerous snack products, denied any wrongdoing.

The antitrust complaint, filed at the request of the Federal Trade Commission alleged that officials of a Sara Lee subsidiary negotiated the acquisition without

the proper premerger filing under the Hart-Scott-Rodino Act. Under federal antitrust laws, a company must file with two antitrust regulators, the Justice Department and the Federal Trade Commission ("FTC"), and allow 30 days for a preliminary investigation before the merger is completed. The regulation is required for acquisitions in excess of \$15 million. The Sara Lee merger with Reckitt & Colman was worth \$25.8 million.

William J. Baer, director of the FTC's Bureau of Competition, said Sara Lee "deliberately, maliciously and wantonly didn't file because they were concerned that the merger wouldn't be approved. They knew they had an antitrust problem and they deliberately structured [the sale] so they could hide it."

According to the Justice Department complaint, Sara Lee has been under investigation for violation of antitrust laws from October 1991 until January 1995. The violations have penalties of up to \$10,000 a day, which left Sara Lee with a potential penalty of about \$9 million. A company spokesperson said the "settlement was more expedient than the prospect of costly litigation with the government."

"The law is clear and simple. So is Sara Lee's violation," said Anne K. Bingaman, Assistant Attorney General in charge of the antitrust division. "Without the necessary information on proposed acquisitions, we can't protect consumers from anti-competitive transactions."

expected to have wide impact on consumers

bill that encourages competition, there are other provisions that undermine it," said Bradley Stillman of the Consumer Federation of America.

Under the new legislation, the nation's seven regional Bell companies must allow competitors to set up business and connect to the Bell's traditionally monopolized telephone wires, switches, and facilities. This is expected to create real competition in local residential telephone markets. In addition, once a Bell company is faced with one competitor in a state, it can seek

permission to offer its own brand name long-distance service. The Federal Communication Commission, with assistance from the Justice Department, would then have to decide if such a move is in the public interest. The long-distance field had been off limits to the Bell companies since they emerged from the previous AT & T monopoly in 1984.

Other provisions of the Act include requiring television makers to install a "v-chip" in television sets that would allow parents to block out violent programs; and allowing

cable television operators to set their own rates for most programs by 1999 without federal limits. The Act also removes limits on single ownership of AM or FM radio stations nationwide; and a single broadcaster can now own TV stations reaching as much as 35 percent of the nation's television households instead of the previous 25 percent cap. Criminal penalties are also established for people who transmit material deemed "indecent to minors" across computer networks.

House votes to postpone proposed gas tax increase

The House of Representatives recently voted to temporarily cut the federal gasoline tax by 4.3 cents a gallon. The vote is the first step in repealing a provision that was part of President Clinton's 1993 deficit-reduction program. The tax cut moves to the Senate where the issue is combined with a Republican legislative hope to force a vote on raising the minimum wage.

The gas tax measure would take effect seven days after being signed into law and would run through the end of 1996. The House legislation reduces the tax to 14 cents a gallon but allows the rate to return to 18.3 cents in 1997 barring further legislative action. The House vote came as the Energy Department predicted a 6-cent-a-gallon drop in gas prices by early summer because of newly allowed oil sales by Iraq. Before agreeing to the gas tax cut, the House blocked a Democratic attempt to amend the measure that would have ensured that the tax

cut would be passed along to consumers rather than to oil companies. According to the Tax Foundation, a Washington-based research group, a permanent real tax increase would save the average household \$48 a year.

The House's 301-108 repeal vote drew immediate partisan responses after the vote was taken. Republican Congressman Bill Archer, Chairman of the House Ways and Means Committee, said the gas tax "hit middle- and lower-income Americans the hardest." Vic Fazio, Chairman of the House Democratic Caucus, who opposed the repeal stated, "Who are the Republicans trying to help - consumers paying more at the pump or the special interests hoping to make a quick buck?" Republicans countered with pledges from oil company executives to lower gasoline prices at the pump to reflect the tax cut.