

**ALAN G. LANCE
ATTORNEY GENERAL**

**OFFICE OF THE ATTORNEY GENERAL
2001 ANNUAL REPORT ON
CONSUMER PROTECTION ACTIVITIES**



The Attorney General enforces various consumer laws, including Idaho's Consumer Protection, Competition, Telephone Solicitation, Pay-Per-Telephone Call, and Charitable Solicitation Acts. These Acts protect consumers, businesses and the marketplace from unfair or deceptive acts and practices. The Attorney General seeks to fulfill this charge efficiently and economically through education, mediation, and enforcement.

The Attorney General reports to the public annually regarding consumer protection activities. This report covers the calendar year 2001.

HISTORY

The Legislature has assigned to the Attorney General enforcement duties in consumer protection, telephone and charitable solicitations, 900-number telephone calls, and antitrust. In 2000, the Legislature established the Idaho No Call Law and placed the duty of maintaining and enforcing its provisions upon the Attorney General.

2001 ACTIVITIES SUMMARY

This year was dominated by implementation of the Attorney General's No Call List. On January 2, 2001, the Idaho No Call Law became effective. Idahoans' responses to the No Call Law have exceeded expectations on all counts. By year's end, more than 33,000 Idaho households had signed up, exceeding expectations by 39 percent. Reports from many citizens who registered their residential phone numbers on the Attorney General's No Call List indicate that, to their satisfaction, unwanted telephone solicitations had been reduced. The Attorney General's Office followed up on more than 1,400 complaints alleging violations of the Idaho No Call Law and completed 11 enforcement actions with businesses that had committed multiple violations of the Idaho No Call Law.

In other matters, the Attorney General obtained significant consumer restitution as a result of enforcement actions. During 2001, consumers reported \$1,190,849 in monetary losses. The Attorney General recovered \$1,429,325 for Idaho consumers (including restitution from enforcement actions) and \$209,560 in civil penalties, fees, and costs. These amounts do not reflect the \$22,954,981 the state received in 2001 pursuant to the settlement agreement negotiated by the Attorney General with tobacco manufacturers.

The Attorney General’s Office logged a total of 25,589 instances of consumer assistance in 2001, a 148 percent increase over 2000. 3,707 contacts were consumer complaints, a significant 69 percent increase over 2000. Much of the increase in complaints was due to reported violations of the Idaho No Call Law. The remaining 21,882 instances of consumer assistance consisted of information received from consumers, processing requests for information and forms, and processing inquiries about particular businesses. This number does not reflect the multitude of telephone calls and personal contacts that are not logged in or tracked by the Attorney General's consumer database.

On the education front, Office of the Attorney General staff educated thousands of people about consumer issues, attended fairs around the state, and worked on updating consumer information brochures. The staff are also finalizing a project translating several consumer brochures into Spanish.

Money from civil penalties, fees and reimbursed costs is deposited into the consumer protection account. Funds from this account pay for all of the Attorney General’s educational activities, pursuant to legislative appropriation.

APPLICABLE LAWS

The Attorney General enforces, and operates pursuant to, the following statutes and rules:¹

The Idaho Consumer Protection Act	The Idaho Telephone Solicitation Act, including the Idaho No Call Law
The Idaho Consumer Protection Rules	
The Idaho Competition Act	The Idaho Pay-Per-Telephone Call Act
The Idaho Charitable Solicitations Act	The Idaho Telephone Solicitation and Pay-Per-Telephone Call Services Rules

The Attorney General also enforces provisions of other consumer-related statutes, including those dealing with chain and pyramid distribution schemes. In addition, the Office of the Attorney General provides information regarding Idaho's Lemon Law, Landlord/Tenant, and Mobile Home Park Acts.

STAFFING

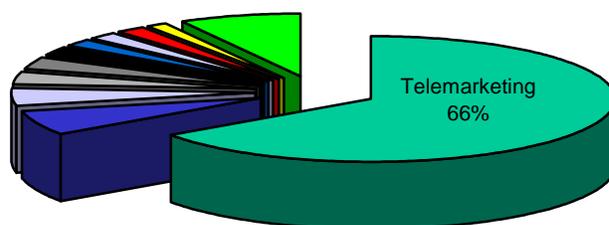
The Attorney General utilizes a number of employees to carry out his consumer protection activities, including three deputy attorneys general, three investigators/paralegals, one legal secretary, three consumer specialists, one telemarketing specialist, three part-time consumer assistants, and one part-time telemarketing specialist.

¹ The listed Idaho statutes and rules are codified, respectively, as follows: Idaho Consumer Protection Act, title 48, chapter 6, Idaho Code; Idaho Telephone Solicitation Act, title 48, chapter 10, Idaho Code; Idaho Competition Act, title 48, chapter 1, Idaho Code; Idaho Pay-Per-Telephone Call Act, title 48, chapter 11, Idaho Code; Idaho Charitable Solicitations Act, title 48, chapter 12, Idaho Code; Idaho Consumer Protection Rules, IDAPA 04.02.01000 et seq.; and Idaho Telephone Solicitation and Pay-Per-Telephone Call Services Rules, IDAPA 04.02.02000 et seq.

2001 TOP TEN CONSUMER COMPLAINTS

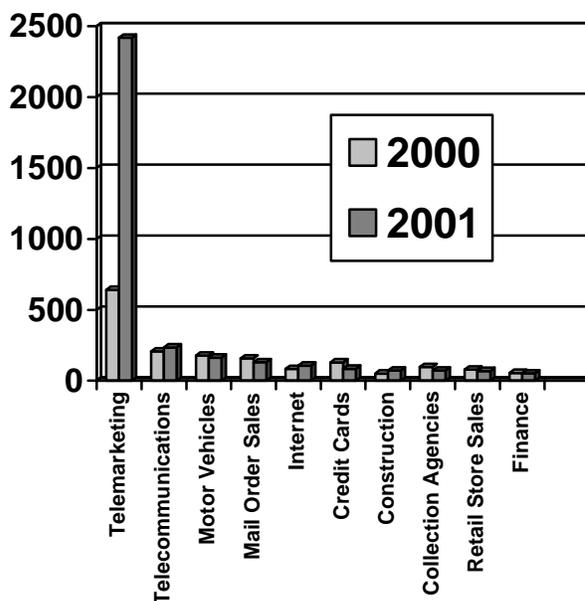
Telemarketing has held the number one or two position on the Attorney General's Top Ten Complaint List for the past ten years, and 2001 was no exception. Telemarketing complaints, totaling 2,419, made it the number one complaint category last year. In fact, telemarketing complaints accounted for more than half (66%) of all the complaints received by the Office of the Attorney General in 2001. Included in the telemarketing category are 1,481 complaints from consumers registered on the Attorney General's No Call List and 690 complaints regarding unsolicited fax advertisements. The top ten list is as follows:

	3,707
1. Telemarketing	2,419
2. Telecommunications	235
3. Motor Vehicles	163
4. Mail Order Sales	131
5. Internet	107
6. Credit Cards	85
7. Construction	72
8. Collection Agencies	72
9. Retail Store Sales	69
10. Finance/Lending Institutions	52
11. Total of all other complaints	302



2001 Top Ten Complaints
(As a percentage of all complaints)

	2,193
1. Telemarketing	641
2. Recreation	262
3. Telecommunications	207
4. Motor Vehicles	178
5. Mail Order Sales	158
6. Credit Cards	130
7. Multi-Level Marketing	129
8. Miscellaneous	111
9. Collection Agencies	97
10. Retail Store Sales	79
11. Total of all other complaints	201



ENFORCEMENT

THE ATTORNEY GENERAL'S NO CALL LIST. On January 2, 2001, Attorney General Lance invited the public to register for the Attorney General's No Call List. The response has been overwhelming. By the end of the year, 33,731 Idaho households had registered their telephone numbers on the list. A significant majority of the registered households report that unwanted telephone solicitations have gone down significantly. While compliance with the new law has been good, the Attorney General has taken action against a few businesses that violated the Idaho No Call Law. In 2001, the Attorney General reached settlements with eleven such companies: AAG Marketing, AT&T, A-1 Installation, Discover Card, MCI WorldCom, Olympic Auto Glass, Qwest Corporation, Qwest Wireless, LLC, Speedy Auto Glass, Telespectrum Worldwide, and TruGreen Chemlawn. Collectively, the businesses paid the state \$39,000, and agreed, in future telemarketing calls, to comply with the Idaho No Call Law.

BRIDGESTONE/FIRESTONE. With the cooperation of other state attorneys general, the Attorney General entered into a settlement with Bridgestone/Firestone regarding allegedly defective tires and alleged misrepresentations by the company during the tire replacement process. Under the settlement, Bridgestone/Firestone will provide restitution to eligible consumers, commence a national public service announcement campaign, and pay the State of Idaho \$500,000 in civil penalties and \$30,000 for the Attorney General's costs in the investigation.

VITAMIN PRICE FIXING CARTEL. The Attorney General entered into a two-part settlement that will result in Idaho receiving more than \$2.3 million. The settlements are the largest ever under state laws which permit consumers and businesses to recover damages for price-fixing overcharges, even though the consumers and businesses did not buy directly from the price-fixers. Federal antitrust law does not permit these "indirect purchasers" to recover their damages, but state laws in the 23 jurisdictions permit such suits.

The settlement is with three European companies, F. Hoffman-La Roche, BASF, and Aventis (formerly Rhone-Poulenc), and three Japanese companies, Takeda Chemical Industries Ltd., Eisai Co. Ltd., and Daiichi Pharmaceutical Co. Ltd. The settlement was reached in conjunction with similar settlements entered into by the defendants and 20 other states, Puerto Rico, and the District of Columbia.

The attorneys general alleged that the six companies conspired for more than a decade to fix prices and restrict supplies of a variety of vitamins. The vitamins made by these companies are used in vitamin pills, foods such as milk, cereal and bread, and feed for poultry, cattle, and fish. The companies will pay more than \$225 million to compensate consumers and businesses in the 23 participating jurisdictions.

In addition, state governments and Puerto Rico received nearly \$30 million for overcharges on state government purchases of products containing these vitamins. Idaho's share of this part of the settlement was \$186,168.

More than \$107 million of the total "indirect purchaser" recovery of \$225 million will be used to benefit consumers. Because it would be nearly impossible to determine how much each consumer paid in higher prices, the consumer settlement will be distributed to non-profit charitable groups for programs that advance the health or nutrition of consumers. Idaho's share of this amount is expected to be \$1,350,000. Final court approval for the dissemination of this money will be sought in 2002.

MYLAN PHARMACEUTICALS. Attorney General Lance, along with the attorneys general of 33 other states and the FTC, joined in a settlement halting illegal anti-competitive practices by drug manufacturer Mylan Laboratories of Pittsburgh, PA. and three of its suppliers - Cambrex Corporation of East Rutherford, NJ, pharmaceutical ingredient manufacturer Profarmaco S.r.l., an Italian subsidiary of Cambrex, and drug distributor Gyma of Westbury, NY. The Attorney General, other state attorneys general and the Federal Trade Commission (FTC) filed lawsuits in 1998 alleging that Mylan led an illegal price-fixing and monopolization scheme that resulted in astronomical price increases for two widely used prescription drugs, Clorazepate and Lorazepam. Under the settlement, Mylan Laboratories will pay more than \$72 million to consumers nationwide who were injured by the company's huge price increase. The Attorney General expects \$300,000 of the fund to go to Idaho residents. Already, the State of Idaho received an additional \$102,000 for damages incurred in purchasing prescription drugs. Clorazepate and Lorazepam are anti-anxiety medications frequently prescribed for nursing home and hospice patients, including patients suffering from long-term debilitating conditions such as Alzheimer's disease.

TOYSMART. Despite a privacy policy posted on its website, which promised that Internet toy retailer Toysmart would "never" share customer information with third parties, the company proposed selling customers' names, addresses, billing information and shopping preferences after the company experienced financial hardship. Toysmart viewed this information as an asset and on June 29, 2000, sought permission from the Bankruptcy Court to sell its customer list. The Attorney General joined 37 states in filing an objection to the proposal with the U.S. Bankruptcy Court in Boston. After the attorneys general made their filing, Toysmart agreed with the attorneys general to destroy its controversial customer list. The action protected the privacy of approximately 250,000 consumers nationwide.

CONTACT LENSES. In 2001, the Attorney General entered into separate settlements with Johnson & Johnson, Bausch & Lomb, and the American Optometric Association resolving antitrust claims. In 1996, Idaho and 31 other states filed lawsuits, alleging that retail prices of disposable contact lenses were too high because the defendant manufacturers had agreed with the American Optometric Association to limit the availability of the manufacturers' lenses. The attorneys general alleged that because of this illegal agreement, consumers had more difficulty buying replacement lenses through the mail or from pharmacies (known as alternative channels in the lawsuit). The states alleged that this agreement violated federal and state antitrust laws and resulted in the price of these contact lenses rising. While the defendants denied wrongdoing, they agreed, collectively, to provide benefits of at least \$40 million nationally in the form of rebates to consumers for use in future contact lens purchases and eye exams. The defendants also agreed to injunctive relief related to selling their lenses to alternative channels.

TRIAD. The Attorney General entered into an Assurance of Voluntary Compliance with Triad Discount Buying Service, Inc., and a group of buying clubs. The settlement alleged that the Triad companies deceptively signed up buying club members through third-party marketers. Triad contracted with those companies to promote club memberships when consumers responded to the contracted companies' advertisements for their own products. Once consumers agreed to have the membership materials sent to them, and even in many instances when they did not agree, their names and credit card numbers were provided by the third-party companies to the Triad companies. Within 45 days, the Triad companies charged membership fees to the consumers' credit cards without their knowledge or authorization. In signing the Assurance of Voluntary Compliance the businesses agreed to drastically revise their marketing practices to avoid future deceptions, pay nearly \$40,000 in restitution to Idaho consumers, and pay \$25,000 in attorney fees, civil penalties, and investigative costs.

READER'S DIGEST. In 2001, the Attorney General reached a settlement with Reader's Digest, resolving claims that the company used deceptive and misleading tactics in its sweepstakes promotions. The company sends thousands of pieces of mail to Idahoans annually, each of which offers consumers the opportunity to enter a sweepstakes. The settlement prohibits the company from deceptively stating that a consumer is about to become the winner of a sweepstakes, falsely telling consumers that they have a better chance of winning a sweepstakes than they actually do, or misrepresenting that the sweepstakes package has been sent by special courier or a special class of mail. Reader's Digest paid \$75,000 in attorney fees, costs and penalties along with more than \$50,000 in consumer restitution. The settlement was reached with the cooperation of other state attorneys general.

21ST CENTURY FAX LTD. In December of 2001, the Attorney General entered into a settlement agreement that permanently enjoined 21st Century Fax of London, England from sending unsolicited faxes into Idaho. Pursuant to the agreement, 21st Century paid \$10,000 in civil penalties, investigative costs and expenses. The settlement came after 21st Century continued sending unsolicited faxes after being told to stop by consumers, businesses and government agencies. The faxes ranged from promotions on how to "get paid to diet" to faxes asking recipients for their opinion on controversial social or political issues. Recipients faxed their responses to a "900 number" and were billed at \$2.95 per minute. Idaho Code § 48-1003(1)(i) prohibits sending unsolicited advertisements to a facsimile machine.

TOYS R US. In 1999, the Attorney General filed suit against Toys R Us and a number of other toy manufacturers for allegedly conspiring since 1990 to withhold popular toys from low margin warehouse clubs. As a result, consumers paid higher prices for certain toys and could not compare toy prices. The defendants, Toys R Us, Mattel, Hasbro, and Little Tikes agreed to a settlement. Under the settlement, Idaho received, over three years, \$150,000 worth of toys to distribute to needy children. The defendants also paid the Attorney General \$58,000, with the provision that the money benefit children in the State of Idaho by providing them with toys, books or other educational materials. 2001 was Toys R Us' last year to distribute toys under the settlement agreement.

TOBACCO. During 2001, the tobacco industry paid \$22,954,981 to the state, pursuant to its settlement agreement with the attorney general. The Attorney General continues to work

on many implementation issues related to the settlement agreement, including enforcement of Idaho's Master Settlement Agreement Act.

EDUCATION

Attorney General Lance believes that consumer education is essential. "My office will win its battles in the courtroom, but Idaho will win the war on consumer fraud with informed citizens protecting themselves from loss and harm," Attorney General Lance has stated. Accordingly, the Office of the Attorney General conducts an aggressive consumer education program.

In the fall, the Attorney General produced public service announcements regarding consumer privacy. The ads were broadcast statewide and in cooperation with the Idaho State Broadcasters Association.

The Attorney General received a \$13,710 grant to provide consumer protection and education services in Spanish, in an effort to improve service to Idaho's growing Hispanic population. The money was made available through the Sears Consumer Protection and Education Fund. With the grant, the Attorney General will publish several consumer protection brochures in Spanish. The brochures will be available through the Attorney General's Office and other agencies in Idaho. The Attorney General will also engage a bilingual telephone service, the Language Line, to enable consumers who speak Spanish to call in for consumer information and referral.

Attorney General personnel made 44 presentations to approximately 2,038 people throughout the state. In addition, the staff talked with thousands of Idaho residents during the Western Idaho and Eastern Idaho Fairs.

In 2001, the Attorney General received an award from the Conference of Western Attorneys General for "Best On-Line Consumer Services." The award was given in recognition of the fact that of all of the "No Call List" states, only Idaho offers on-line registration for its residents. Also, the Attorney General's site was determined the best for presenting consumer information, particularly on telemarketing laws and in a form that is understandable and easy to navigate. The Attorney General also won an award from the Idaho Information Technology Resource Management Council in the digital government category for outstanding access to government.

All of the Attorney General's written consumer education materials are available through the Attorney General's Internet homepage. Consumers can also sign up for the Attorney General's No Call List at the Attorney General's Internet homepage. The homepage includes tipsheets covering telephone solicitors, automobile repairs, mail fraud, Idaho's Lemon Law, construction fraud, charitable donations, and other subjects. Consumers can also read Idaho's consumer protection laws and learn how to file a consumer complaint. The Attorney General's Internet address is: www.state.id.us/ag. Citizens can also obtain information on consumer issues by calling 334-2424 (Boise) or toll-free (in-state) 800-432-3545.

The Attorney General provides all educational efforts at no cost to taxpayers. Money from civil penalties, fees and reimbursed costs is deposited into the consumer protection account. Funds from this account pay for all educational activities, pursuant to legislative appropriation.

In 2001, the Attorney General recovered \$1,429,325 in restitution. This equates to \$2.99 for each taxpayer dollar appropriated for consumer operations. Indeed, for the past 11 years, the Attorney General has recovered more money for Idaho residents than the Legislature has appropriated from its general fund for consumer operations. Salaries and benefits of those who are primarily involved in consumer protection efforts are expected to cost taxpayers approximately \$477,588 for the 2002 fiscal year. Another \$116,500 is budgeted from the Attorney General's consumer protection account for consumer education efforts. The consumer protection account is comprised of moneys obtained through Attorney General enforcement actions and Idaho's No Call List registration and purchase fees.

LEGISLATION

The Attorney General did not propose consumer legislation in 2001.

