



American Advertising Federation

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August 10, 2006

Ms. Darlene Cossette
Special Projects Manager
Financial Management Office
Federal Trade Commission
Room H-779
600 Pennsylvania Avenue NW
Washington, DC 20580

Dear Ms. Cossette:

On behalf of the three leading national advertising associations, the American Advertising Federation, the American Association of Advertising Agencies and the Association of National Advertisers, we are pleased to submit these comments regarding the Federal Trade Commission's Preliminary Strategic Plan for the fiscal years 2006–2011.

We strongly support the FTC in its mission of regulating national advertising. While we may occasionally take issue with a specific action, on the whole the Commission has done an outstanding job in fulfilling this aspect of its mandate.

Advertising regulation not only furthers the Commission's first strategic goal of the strategic plan – protecting consumers – but it benefits the business community as well. Many Commissioners have commented on the vital role of advertising in our free market economy. Advertising provides innumerable benefits to consumers and businesses. For example,

- Advertising provides consumers with valuable information about products and services. As the Supreme Court acknowledged in the *Virginia Pharmacy* case many consumers may be more interested in “the free flow of commercial information” – advertising – than “in the day's most urgent political debate.”

- Advertising spurs competition which helps to both spur innovation, and as FTC studies have established keeps prices low.
- Advertising keeps over-the-air broadcasting free and print media, such as newspapers and magazines, affordable.
- Advertising helps to stimulate sales, which contributes to economic growth.

However, advertising can do none of these things if consumers do not find it credible. While we believe that the vast majority of advertising is truthful and substantiated, it is undeniable that there are exceptions. It is unfortunate that the visibility of our industry magnifies these abuses and leads to a skewed perception of advertising in general by some consumers as an unreliable source of information.

This skewed perception is why the role of the FTC is so important to the business community. When consumers believe that there is an active “cop on the beat,” they are much more likely to trust all of the players in the marketplace. Therefore it is important not only that the Commission challenge bad actors, but that it be seen as doing so.

It has often been said that in Washington, DC, perception is reality. We believe that this is apropos in this situation. The FTC could take action against virtually every false or deceptive national advertisement, but if the public remained unaware of its actions, the perception would remain of an unchecked industry. On the other hand, just a few highly visible enforcement actions would show both consumers and the bad actors that the cop on the beat is active.

The Preliminary Strategic Plan is a solid and workable document that will provide direction and focus to the Commission over the next five years. We do have a few brief comments on some of the plan’s specifics.

Encourage consumers to report fraud, identity theft, and do not call complaints by increasing public awareness of the complaint process.

It is important that the preliminary plan places a strong emphasis on soliciting consumers to report complaints and on upgrading and enhancing the online consumer complaint database. Encouraging participation increases the visibility and consumer “buy-in” of the Commission’s activities, thereby enhancing their effectiveness.

We also encourage the Commission to continue to monitor and use new technologies to identify fraud, deception and unfair practices. As the Commission well knows, the explosion of new technologies has provided countless benefits to consumers and opportunities for businesses.

Unfortunately, the new technologies provide opportunities for abuse. It is a sad fact of life that for every positive development, there are bad actors waiting to exploit them for negative purposes. We applaud your determination to stay ahead of the curve and remain vigilant in addressing these new challenges.

It is particularly important that in these new frontiers FTC enforcement actions are visible and vigilant. Consumers are still wary of these new technologies and very aware of the many cases of abuse. A highly prominent “cop on the beat” is especially important in this area to develop and increase consumer confidence.

Monitor, review and provide guidance to parents and children on marketing that may affect children and teenagers.

We strongly support consumer education, of both children and adults, on the role of advertising in the economy.

Young consumers particularly need to be educated as to the selling intent of advertising messages. Parents and caregivers should be prepared to discuss the role and purpose of advertising to their charges. The vast majority of responsible advertisers construct their messages in age appropriate ways. However, children are inevitably exposed to advertising intended for adult audiences, and as in other areas unscrupulous actors will try to take advantage of youthful audiences. Children need to be educated to be savvy consumers in order to begin to make responsible choices and better recognize those who attempt to exploit them.

Consumer education about advertising should include information about the positive effects of advertising as well as the potential risks. Unfortunately, most consumers are unaware of the role of advertising in helping to stimulate competition, keep prices low and keep much of the media free or affordable. We believe that fully educated consumers are better and smarter consumers.

Given its recent prominence as an issue, and in light of last summer’s joint FTC/HHS workshop, we would be remiss if we did not briefly discuss the issue of obesity and food marketing to children.

The marketing community recognizes that childhood obesity is a serious national and global challenge. In a variety of ways, our industry is working proactively to be part of the solution.

First, food, beverage and restaurant companies are responding in the marketplace to consumer demand for more healthy food options. More than 4,500 new and reformulated products with reduced fat or calories have been introduced in just the last three years.

Second, our industry’s public service body, the Ad Council, has partnered with the U.S. Department of Health and Human Services on the “Small Steps” campaign. The Ad Council and our industry groups are also working to develop a media literacy program so that children better understand the role of advertising in our society.

Third, the advertising community is conducting a top-to-bottom review of the guidelines of the Children’s Advertising Review Unit (CARU), our self-regulatory body. That review is

under the direction of Jodie Bernstein, the former Director of the FTC's Bureau of Consumer Protection. We recognize that marketing to children raises unique concerns and want to ensure that it's always done in a fair and responsible way.

Fourth, companies are changing their sales and marketing practices to respond to consumer concerns. Several major companies have changed their media placement practices for certain product categories.

The FTC/HHS report on last year's workshop recognized the important role that self-regulation can play in addressing childhood obesity. Food marketing may be an easy political target, but restrictions on food marketing will not solve the problem. We stand ready to work with all interested parties to come up with solutions that work.

Target advocacy activities to encourage state, federal, and foreign government policymakers to evaluate both the costs and benefits of their policies for consumers, emphasizing the impact on consumers of policies that unnecessarily affect the dissemination of truthful, non-misleading information to consumers and the interplay of competition and consumer protection concerns.

The advertising industry strongly supports this strategy. As discussed earlier, very few consumers are cognizant of the many benefits of advertising to the economy and to the consumers themselves. Sadly, with the exception of FTC officials, this awareness does not seem to be much stronger among policymakers. In our view, it is vitally important that policymakers have a complete view of the impact of advertising on the economy and consumers, as well as businesses. Such knowledge will increase the likelihood that proposed laws and regulations adopted in the interest of protecting consumers will not cause unintended harm.

Encourage industry self-regulation where consumer protection problems are emerging, industry has a comparative advantage in addressing the problems, or legal or practical limitations constrain the government's ability to act.

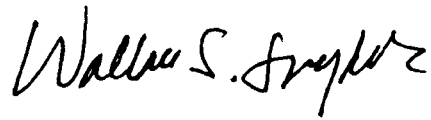
The advertising industry appreciates the FTC's longstanding support of the National Advertising Division and Children's Advertising Review Unit. We entirely agree that industry self-regulation has many inherent advantages over government regulation and we are proud that the advertising industry's self-regulatory program has such a longstanding history of success.

At the same time, we recognize that self-regulation alone is not sufficient to protect consumers but together with a strong and active FTC it helps to form the fabric of effective consumer protection that has worked so well for American consumers.

We appreciate the opportunity to comment on the Preliminary Strategic Plan and hope that our comments are useful. We look forward to continuing to work together to insure that

consumers, businesses and the economy enjoy the benefits of a strong, healthy and reliable advertising industry.

Respectfully submitted,



Wallace S. Snyder
President & CEO
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