

 Edward H. Clarke
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Record Type: Record

To: GGREENFIELD@FTC.GOV@INET

cc:

Subject: Comment on GLBA rule

I received one comment today which I am faxing to you . Dated 3/29. I will put in our Docket and should also go in yours. This is procedure when the letter is not also addressed to FTC docket.

Internet Consumers Organization
P.O. Box 25701
Washington, D.C. 20007

March 29, 2000

Director, Office of Information and Regulatory Affairs
Office of Management and Budget
Room 10235, New Executive Office Building
Washington, D.C. 20503

Re: Notice of Proposed Rulemaking (Regulation P), the "Gramm-Leach-Bliley Privacy Rules, 16 CFR Part 313 - Comment".

Dear Director:

The Internet Consumers Organization (ICO), a non-profit, public policy organization, submits the following comments on the cost-benefits of proposed Regulation P. The FTC and the federal regulatory agencies for the financial services industry have submitted their proposed privacy Rule to the OMB for review under the Paperwork Reduction Act ("PRA") (44 U.S.C. 3501-3517). This Rule would impose an immense paperwork and cost burden on businesses of all sizes and on consumers, without offsetting benefits. We believe that the costs of compliance with the Rule have been underestimated, and the impact on consumers has not been adequately considered. Rather than requiring businesses to inundate them with redundant and confusing notices, the Rule should permit consumers to request information on privacy as needed.

The proposed Rule affects a broad cross-section of the U.S. economy. It specifies detailed privacy disclosure requirements for retail merchants, banks, credit unions, finance and mortgage companies, insurance companies and agents, securities brokers, mutual funds, credit card issuers, oil companies, phone, gas, cable TV and electric utilities, Internet service providers and others. Many of these companies will be required to send a separate privacy notice to their customers for each account, product or service that they own. Non-customer applicants and prospects for credit and other financial services would also receive multiple privacy notices.

Consequently, some individuals could receive 40 to 50 privacy notices, some of them several pages long. Some households with two or more people could receive 100 or more notices a year. If we assume that on average, each of the 103 million U.S. households will receive between 30 and 50 privacy notices a year, 3 to 5 billion notices will be crammed into people's mailboxes annually. Many of these notices will differ in length and content, confusing consumers and undermining the objective of providing them with "clear and conspicuous" privacy disclosure. As a result, most people won't try to read or understand these disclosure statements. Instead, they will tend to discard them.

-2-

Based on the experience of high volume issuers of customer notices, it will cost about 25 cents to prepare, print and mail each privacy notice as an insert with a customer statement. Therefore, the annual cost of 3 to 5 billion notices will range between \$750 million and \$1.25 billion, excluding customer service and other administrative expenses. These numbers are conservative, since not all privacy notices will be included with customer statements. Those that are sent in separate mailings will require additional postage and handling costs. Also, the legal expenses for interpreting, drafting and defending class action lawsuits alleging violations of Regulation P should be added to the costs of compliance. In short, the total cost of Regulation P could well exceed \$2 billion a year, which will ultimately be borne by consumers.

Section 502 of P.L. 106-102 (the G-L-B Act) requires companies to give consumers the right to opt-out of sharing nonpublic, personal information with third parties. Why shouldn't consumers be permitted to opt-out of receiving unwanted privacy notices too? Section 503 requires a financial institution to provide clear and conspicuous disclosure of its privacy policy, but it does not mandate that such disclosure be communicated to consumers without their consent. Nothing in the G-L-B Act precludes consumers from requesting a company to provide such disclosures on demand.

Simplification of disclosure requirements, and reduction in the volume and content of privacy notices, are likely to be more effective means for providing meaningful information to consumers, at significantly lower cost. For example, the following simple and clear privacy notice would be of greater value to consumers, and be more cost-effective than the detailed requirements of the proposed regulation:

"If you want to know what personal information we collect or disclose, and how to opt-out of such disclosures, please contact us by phone, fax, e-mail or regular mail".

Such a statement would be readily understandable by most consumers, and the costs of providing this notice would be negligible. Instead of sending billions of notices to consumers, whether they want them or not, consumers can obtain the information on demand. Consumers should also be able to demand privacy information in electronic form.

We recommend that the OMB evaluate the benefits and costs of consumer privacy disclosures, and suggest a simpler, more cost-effective process, before Regulation P is implemented.

Sincerely,


Peter Gray, Chairman
gray@internetconsumers.org

cc Kent Brunette, President