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U.S. House of Representatives
Committee on Energy and Commerce

SUBCOMMITTEE ON COMMERCE,
 CONSUMER PROTECTION, AND COMPETITIVENESS

Washington, DC 20515

October 12, 1988

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GREGORY E. LAWLER
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The Honorable Daniel Oliver
 Chairman
 Federal Trade Commission
 6th and Pennsylvania Avenue, N.W.
 Washington, D.C. 20580



FEDERAL TRADE COMMISSION
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 OFFICE OF CONSUMER RELATIONS
 WASHINGTON, D.C. 20580

Re: Premerger Notification; Reporting
and Waiting Period Requirements

Dear Chairman Oliver:

I am extremely concerned with the recent proposal of the Federal Trade Commission to reduce the reporting threshold of the premerger notification rules. Not only would this change make it harder for the antitrust enforcement agencies to monitor potential anticompetitive acquisitions, but it will affirmatively facilitate hostile corporate takeovers and takeover attempts, with negative consequences for companies, employees, communities, and our nation's competitiveness.

As you know, under current regulations, bidders must generally notify the FTC and the target company after they acquire \$15 million worth of stock. The Commission has proposed to change this reporting threshold to ten percent of a target company's stock - a far higher threshold in large companies than \$15 million.

I am particularly concerned that this change would facilitate hostile takeovers and takeover attempts. Such takeovers and attempts often have disastrous results. In my own area, the takeover attempt by the Wickes Corporation of Owens-Corning Fiberglas, while unsuccessful, left a wounded target company heavily in debt, with many unemployed, including 800 at the firm's Barrington, New Jersey plant, and an impaired research and development capability.

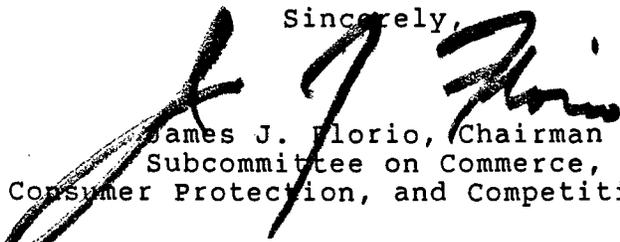
Owens-Corning is but one of many examples. Indeed, one of the problems that the Subcommittee has identified is a growing emphasis by investors in short term returns. Some of these investors are merely interested in raiding long established companies for a quick profit, with no interest in long term ownership. American corporations must begin to take longer term approaches, and focus on expenditures that have long term returns, such as research and development, if American industry

is to regain its competitive edge. Unfortunately, the recent frenzy of takeover activity by short-term investors has forced American companies to place undue emphasis on short-term results. In light of these negative impacts, I do not believe the FTC should change its rules to affirmatively assist corporate raiders.

Furthermore, in its proposal, the Commission argues that acquisitions of under 10 percent are unlikely to raise antitrust problems. Yet, in its proposal, the Commission concedes that Congress is concerned that even smaller levels of acquisitions can affect corporate control. The rulemaking notice points out that Congress was definitely interested in subjecting some types of acquisitions of 10 percent or less to premerger review. In light of this Congressional intent, I am puzzled by the Commission's proposal to overrule Congressional intent by a blanket exemption.

Accordingly, I urge the Commission not to adopt these proposed changes.

Sincerely,



James J. Florio, Chairman
Subcommittee on Commerce,
Consumer Protection, and Competitiveness

JJF:rhr

CC: Commissioner Terry Calvani
Commissioner Mary Azcuenaga
Commissioner Andrew Strenio

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