

# ACCC *update*

Issue 6, May 2000

**Internet — new territory for enforcement**

**E-commerce — advice for business**

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# ACCC *update*

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The new digital environment is offering businesses and consumers boundless opportunities. But online shopping and marketing is like any other commercial environment — businesses have the same responsibilities under the Trade Practices Act and consumers have the same rights of protection.

The Australian Competition and Consumer Commission operates nationally at the forefront of administration and enforcement of competition and consumer protection law.

The Trade Practices Act covers all businesses in Australia, including government enterprises and many thousands of unincorporated firms that were previously exempt, such as professional practices.

A fast growing number of businesses are initiating an online presence, often unaware of how their legal obligations of disclosure and business practice translate to a website.

This issue of **ACCC update** clarifies some of those legal rights and responsibilities. The story on page 3 looks at the strategies the ACCC is using to identify and prevent any contraventions of the Trade Practices Act on the Internet.

On page 5, 'E-commerce — advice for business' looks at the benefits and pitfalls that confront businesses setting up a website for commercial exchange.

Advice for consumers is offered on page 8, identifying the kinds of scams that are perpetrated on the Net and how to recognise a genuine trader.

**ACCC update** is published to give the wider community general information about the Commission's work and responsibilities.

More detailed information is available in the wide range of ACCC publications (available from the offices listed at the back) or from the Commission's regularly updated website at <http://www.accc.gov.au>.

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# Internet — new territory for enforcement

Ever been page-jacked or mousetrapped? If you have, you know what we're talking about. If not, you need to know. Both are techniques used in Internet scams — page-jacking takes users to unrequested sites, often pornographic, and mousetrapping prevents them from leaving.

It's new territory for law enforcement agencies and the ACCC is developing strategies within the e-commerce environment to identify and prevent conduct which might contravene the Trade Practices Act.

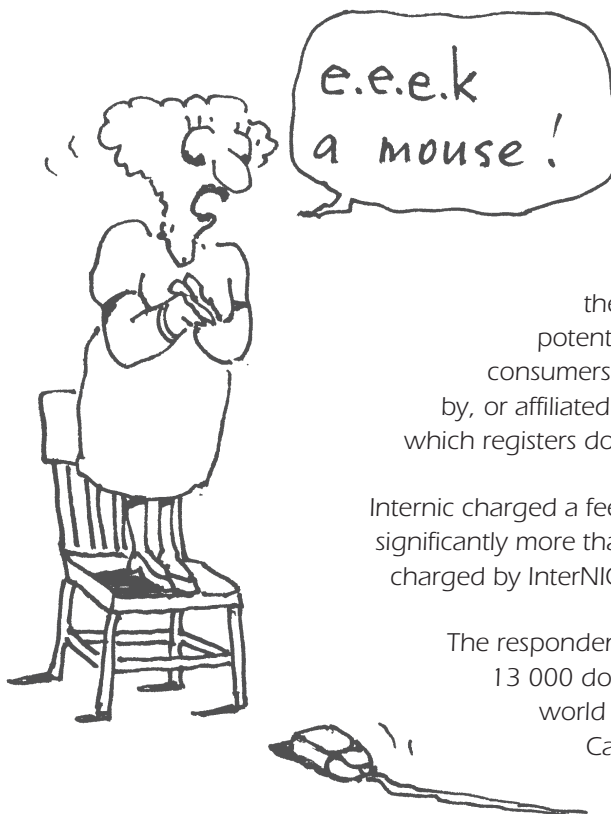
The ACCC's immediate plans are:

- ♦ to work with domestic and overseas government agencies on individual enforcement matters, as well as developing broader strategies;
- ♦ to increase its computer forensic, Internet tracking and electronic evidence expertise; and
- ♦ to educate consumers and businesses about trading on the Internet.

This work is being carried out under the ACCC's Internet commerce and competition project which aims to protect consumers and promote fair trading. It's a new project to encourage consumer confidence and participation in e-commerce.

Australians have traditionally been quick to take up new technology and e-commerce is no exception. The National Office for the Information Economy estimates it will add 2.7 per cent to our GDP by 2007, with e-commerce revenue estimated to grow to over \$10 billion.

But as with any commercial environment, the charlatans and sharks are out there. This issue of ACCC update will help new players — both businesses and consumers — be aware of the traps.



## Recent ACCC investigations

### Page-jacked and paralysed

Recently the Commission worked with the US Federal Trade Commission to break a global Internet scam which took unsuspecting users to pornographic sites and then prevented them from quitting.

The process started when, using a search engine to find specific sites, users were page-jacked onto a webpage offering explicit pornographic material. The site then mousetrapped them — the scam disabled the users' Internet browser so that when the users tried to quit, more pornographic websites were shown. This mousetrapping process occurred up to 20 times before they could shut down the browser.

Working closely with the FTC, the Commission has provided information on the Australian end of these operations.

### Consumers are Internicked

The Commission recently secured refunds for thousands of consumers who had been misled in registering their Internet domain names.

An Australian company called Internic Technology was registering domain names through a website with the URL 'internic.com'. The US Federal Trade Commission had received complaints that the *internic.com* site was potentially misleading because consumers may believe it was operated by, or affiliated with, the official authority which registers domain names, InterNIC.

Internic charged a fee of \$US220 and \$US250, significantly more than the \$US70 and \$US100 charged by InterNIC.

The respondents registered about 13 000 domain names from all over the world including Australia, the US, Canada, France, Norway, Spain, the UK, Switzerland and Germany, before May 1998.

## Internet — new territory for enforcement cont.

The FTC alerted the ACCC which instituted court proceedings against Internic Technology and its director Mr Peter Zmijewski.

Internic Technology and Mr Zmijewski undertook to no longer use the name 'Internic' or any similar name and to place \$250 000 in a trust fund to refund consumers. Anyone who registered a domain name at the internic.com site before May 1998 was emailed a notice setting out the procedure for claiming a refund and monies have now been distributed between all consumers making a claim.

### FreeNet2000 stops reward scheme

FreeNet2000, an Internet service provider, has recently withdrawn its reward system for clients following ACCC concern that it contravened the pyramid and referral selling provisions of the Act.

It had been rewarding clients by giving them bonuses in the form of credit against their accounts or cash when they referred new members to the scheme.

Once the ACCC drew its concerns to the company's attention, Mr Alan Tame, the proprietor of FreeNet2000, quickly stopped advertising the income generation scheme. He also agreed to offer refunds to subscribers should they choose to discontinue subscription to FreeNet2000's Internet service.

(For more information about referral and pyramid selling schemes, see p.12.)

## Sweep Day reveals gaps in consumer protection

The 1999 Internet Sweep Day, an annual event to promote consumer protection on the Net, showed that there is still room for improvement in the disclosure of essential consumer information on e-commerce sites.

Unlike previous sweep days which targeted Internet scams, last year's assessed e-commerce websites according to a number of consumer protection principles. Consumer protection agencies around the world examined e-commerce websites and completed a checklist of 10 questions about what sort of information could be easily accessed before entering into a transaction.

Some notable findings were:

- ♦ 62 per cent of sites had no information about refunds or exchanges;
- ♦ 75 per cent of sites had no statement about how they would handle a consumer's personal information; and
- ♦ 56 per cent of sites had no information regarding the security of its online payment mechanism.

Internet Sweep Day, run by the International Marketing Supervision Network, was started in 1997. The first targeted 'get rich quick' schemes and the second swept the Internet for sites promoting miracle cures and other potentially misleading health claims.

The consumer protection principles which were the focus of the 1999 Internet Sweep Day, were partially based on the draft OECD guidelines for consumer protection in the context of e-commerce. Australia has been closely involved in drafting the guidelines.

The ACCC will again coordinate the international 2000 Internet Sweep Day later this year.

### Degrees offered over the Net

The ACCC took action against The Australasian Institute (TAI) because of misleading claims it had made on its website. TAI wrongly implied that the degrees it offered over the Internet were approved, sponsored or endorsed by other universities, including the University of Ballarat and the University of Newcastle.

As a result of the ACCC's actions, TAI offered refunds to students and took out corrective advertising.



# E-commerce — advice for business

More and more Australian businesses are developing an online presence, either to complement their 'bricks and mortar' operation or as their main shopfront. Messages from the media and industry are urging businesses to be up and running in cyberspace to stay competitive.

But in the rush to get online, it's important that businesses don't overlook their legal obligations.

The same consumer protection laws which apply off line apply online. In other words, your website needs to comply with the Trade Practices Act in the same way as would a classified ad put in the newspaper or a representation made to a customer.

The following information is a guide which deals very broadly with some of the issues that businesses should be aware of when trading online. It is not a substitute for legal advice.

## The law

If you're conducting online transactions with customers or if you're just putting information about your business or your products up on the Internet, you need to make sure the material complies with the Trade Practices Act.

The Act prohibits conduct in Australia which is, or is likely to be, misleading or deceptive. It specifically prohibits making false claims about products, as well as pyramid and referral selling, offering prizes or free items without the intention of providing them as advertised, and trying to place consumers in a position where they will pay for unsolicited goods or services.

There are several rules that apply to any business engaged in advertising and selling. The Commission's publication **Advertising and Selling** explains these general principles which govern fair and ethical trading.

But the online medium is different from other forms of publication and businesses need to come to grips with these differences.

If you are hiring a consultant to design a website for your business, ask them to take the following information into account.

## Trading with overseas consumers

If you are trading with consumers in other countries, be aware that you may be subject to their consumer protection laws. Seek legal advice before conducting business with people overseas. If you only want to trade with Australian consumers, put a statement on your website to this effect.

## Structuring your website

### Internal hyperlinks

Internal hyperlinks — links that take consumers from one page to another within a website — are the key to structuring information in a clear and accessible way. They make it easy for consumers to choose what they want to read, in what order, and to skip the rest.

## Potential problems

The downside of installing lots of hyperlinks is that consumers may unwittingly miss information on the site which qualifies or places conditions on product information or sales.

If consumers don't read that vital information because they haven't accessed the right hyperlink they may have false impressions about your offers or products.

For example, let's look at a hypothetical website which offers consumers a 'free website design' on one of its web pages. This page is accessed via a hyperlink from the home page stating 'free website'.

Directly below the offer is a link called 'get your free site now'. If consumers follow this link they are taken to an online form where they can submit their personal information including their credit card details. End of transaction.

However, if consumers explore the website further, they find that the free website deal requires them to host the site with the business for two years which costs \$1000 per year and has to be paid up front.

This information qualifies the offer made on the 'free website' page, but only consumers who read the whole website will be getting the full story.

A consumer could purchase these services without having ever appreciated the true nature of the offer and the extent of the charges which will apply. In spite of having provided full information, the site is likely to mislead consumers.

### Protect yourself

- ♦ Don't assume that consumers will access all hyperlinks.
- ♦ Make sure each web page stands alone so that all of the information about any offer or product is clearly visible on the same page.

### Disclaimers

Many websites use disclaimers in an attempt to limit their liability or qualify other information on their site. Disclaimers are often accessed via a link at the bottom of a page in relatively small print.

### Potential problems

Disclaimers and the use of techniques such as **\*conditions apply** are inherently problematic. The main selling point used for a product may make such a strong impression that no number of asterisks and associated fine print can dispel it. If a disclaimer is not appropriately emphasised or attempts to contradict the marketing pitch, the qualifications it contains are unlikely to have any effect.

On the Internet, disclaimers and qualifications become even more dangerous for the advertiser. If the disclaimer has to be accessed through a link or is in small print at the bottom of a page, you can't be sure that consumers will hit the link or scroll down to see it.

The problem is essentially the same as discussed in the section about structuring your website.

### Protect yourself

- ♦ Make disclaimers compulsory viewing

If the disclaimer is a compulsory page the consumer must view it at some stage while in the site. Alternatively, have the disclaimer appear in a dialogue box which opens on a user's screen when they access your home page.

### External links

External links are the building blocks of the Internet. They enable consumers to visit other sites directly from your own. External links can make your site useful and informative which will encourage consumers to come back.

### Potential problems

Problems can arise if:

- ♦ consumers are likely to be confused about whether they have actually left your website; or
- ♦ consumers are likely to be confused about the association between your business and the website you have linked to.

Deep linking is particularly problematic. It involves linking to a page 'deep' within another website with the effect of bypassing that site's home page and its advertising.

For example, an Internet-based news service in the US, **Shetland News**, reproduced headlines from a website operated by **Shetland Times**, with hyperlinks from these headlines to the full stories located on the **Shetland Times** website. In this case, an Internet user could mistakenly believe that the news stories were being provided by the **Shetland News** site when the service was actually being provided by another party.

This matter was settled — the deep linking was allowed to continue provided that the links acknowledged that the articles were 'Shetland Times stories' and the **Shetland Times** logo was displayed on the site.

Linking to another website should not falsely imply an association with the owner of that website. Anything that creates an impression that the third party has approved or endorsed your company or its products when this is not the case is in danger of misleading and deceptive conduct.

### Protect yourself

- ♦ Get permission before you link to another person's website, especially if you are linking to a page 'deep' within the website.



- ♦ Put appropriate information near the link so that it is clear to consumers that if they access the link, they will be leaving your site.
- ♦ Get independent legal advice.

### Framing

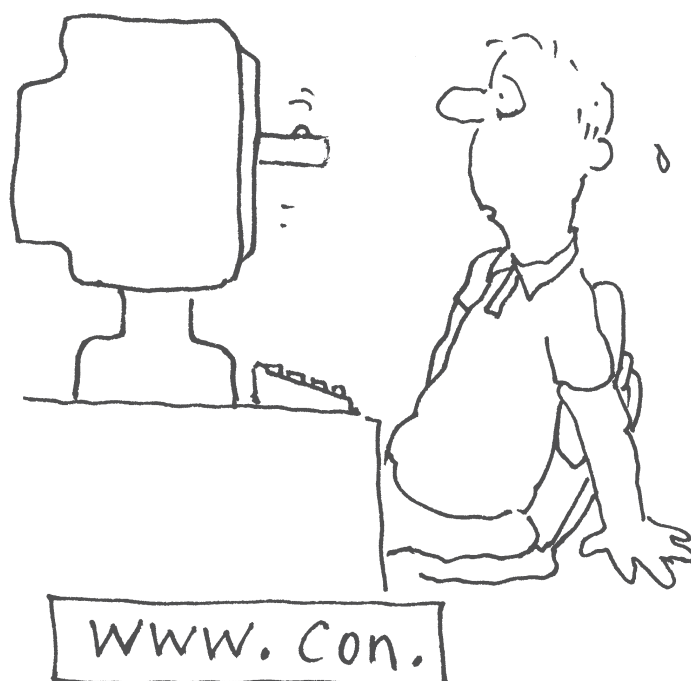
Framing is a technique which means if you're browsing the web, you can open a web page from another site so that the content of that page appears inside the frame of the page you set off from. The URL displayed remains that of the original page.

Frames can be used to display different pages of a site. Often the frame contains basic site navigation information and a menu.

Framing can also be used when linking to other websites. When users access a link from your website, your site's frame 'wraps' pages from the target site. This can have the effect of hiding the target site's own advertising or identifying features.

### Potential problems

Framing combined with external links, particularly deep links, can potentially be misleading. Consumers may think that they have accessed a page which is part of your website when in fact they have followed a link to a completely different party's web page which is being displayed within your site's frame. It is especially misleading if your site's URL continues to appear in the address bar and can imply an association between your website and the site to which people are taken which, in reality, may not exist.



### Protect yourself

- ♦ Don't use frames to wrap content that isn't your own unless you have received permission from the target site to do so.
- ♦ Put appropriate information near the link so that it is clear to consumers that if they access the link, they will be leaving your site.

### Meta tags

Meta tags are words within the source code of a web page which are usually invisible to Internet users when looking through their browsers. Meta tags contain information about the content of the web page. Many search engines use meta tags to find websites in response to queries by Internet users.

### Potential problems

Some web developers recommend using a broad range of terms in meta tags to increase the chances

of a website being listed in search engine results. Businesses should be careful about using terms that do not relate in any way to the content of the website. If the content does not correspond to the terms used in the meta tags, it may be misleading or deceptive.

You should also be careful about using other people's individual, product or company names in the meta tags. Often, these words can be subject to trade marks. There have been a number of lawsuits taken against people in the USA because they have used someone else's registered trademark in their meta tags. This could also be misleading if it wrongly implies that there is a formal association between you and the person, company or product name you have used in the meta tag.

### Protect yourself

- ♦ Use only relevant words in your meta tags.
- ♦ Get permission from relevant sources (e.g. trademark holder)

## E-commerce — advice for business cont.

before you use the name of a product, person or company in your meta tags.

### Selling online

There are many factors to consider if you are entering into transactions with consumers online. The Commonwealth Treasury has released a draft of a Best Practice Model for Business titled **Building Consumer Confidence in Electronic Commerce**. Information about this model can be found in the publications section (electronic commerce and consumer protection) at <http://www.treasury.gov.au>.

A final version should be released soon.

Businesses can also assess their websites against the ACCC online shopping checklist (see centre-spread). It helps consumers decide whether to trade with a business online.

### Buying Internet services for your business website

#### Free web pages or other Internet related services

Offers of free web pages can have several meanings — check that you're being told the whole deal. For example, the web design may be free, but the company offering the service might expect that you host your web pages with them once they have designed them. Remember, web design doesn't put your site up on the Net — for that you need hosting and domain name services. Most businesses have a unique domain name which clearly identifies their business.

#### Protect yourself

- ♦ Get full details of all fees and charges that may be associated with the 'free' service or product.

- ♦ Find out before you commit if you are obliged to purchase other services from the company, such as hosting or domain name services and, if so, how much they charge.
- ♦ Ask how much it will cost to modify the site in the future. Good websites grow and change regularly and you don't want any nasty surprises when you go back and ask for modifications.
- ♦ Ask about whether you will have your own domain name for your website.

### Registering with search engines

If someone is offering to register your website with search engines, ask which ones. Only a few search engines are used by most web users and many won't accept automated submissions. It only takes a few minutes to fill in the online forms most search engines use to accept registrations — you may be better off doing it yourself.





### Protect yourself

- ♦ Clarify which search engines you will be registered with.
- ♦ Get full details of who uses the search engine, fees to be charged and any other services.

### Listings in Internet directories

If you are invoiced for registration with Internet directories, check that you requested to be registered. It contravenes the Trade Practices Act to demand payment for unsolicited goods, such as entering your business in a directory without your authorisation.

### Protect yourself

- ♦ Check that the directory exists.
- ♦ Check that the directory is well known, well indexed and likely to be used by your potential customers.
- ♦ Don't pay if you didn't request that your business be entered.

### Emailing potential clients

Be sceptical of anyone, or any program, offering to contact hundreds of potential clients on your behalf using email. This usually involves sending unsolicited email or spam to large numbers of Internet users.

Most Internet service providers (ISP) stop services to clients who use spam because it wastes their bandwidth resources and slows down the Internet generally. It's against 'netiquette', the unspoken

rules of the Internet. Consumers don't like it because it costs them to download.

### Protect yourself

- ♦ Don't send email unless you have a pre-existing relationship with the recipient.
- ♦ Make it easy for recipients of your emails to opt out of continuing to receive your messages and always stop sending messages once you have been asked.
- ♦ Don't buy email addresses unless you know they were provided voluntarily and that the owners were aware they would receive emails from you.
- ♦ Check your ISP's policy on sending email.

### Hosting, web design and other services

You may want one company to design, maintain and/or host your website or you may wish to do some of it yourself.

Make sure you clearly outline what services you want from the web services business and get an agreement in writing. You may then have recourse to the statutory warranties under the Trade Practices Act if the service you receive is sub-standard or doesn't fulfil the purposes you outlined.

Services must be carried out with due skill and care and they must achieve the result the customer wants, as made clear to the service provider.

### Protect yourself

Before engaging people to provide web services, ask the following questions:

- ♦ Are you locked in to using the company's services for a fixed term?
- ♦ What are the full fees that you will have to pay? How are these fees broken up and are they likely to change over the course of your contract?
- ♦ Can the company design/host sites which support online transactions?
- ♦ Can the company provide you with full and accurate records of online transactions to meet your tax and other obligations?
- ♦ Does the company have secure servers to support online transactions?
- ♦ Will the company respond to your needs quickly (e.g. modifying your website or correcting problems such as servers going down?)
- ♦ Does the company allow you to occupy sufficient space for your website on their server?
- ♦ Can the company provide you with useful statistics about where traffic to your website has come from?
- ♦ Does the company provide 24-hour technical support? This is important for overseas transactions conducted in different time zones.

# E-commerce — advice for consumers

The Internet is full of opportunities and information, but it pays to make well-informed choices. This guide will help you recognise cyberscams and arm you with the necessary information to deal with online traders with confidence. It is not a substitute for legal advice.

## Shopping in cyberspace

If you're online, the world is your shopping centre. You can shop without leaving home or track down better prices in the world market. Whatever your reason for using the mouse rather than leaving your house, you need to know some things before sending money or personal information over the Internet.

### Protect yourself

- ♦ Read the Internet shopping factsheets. They can be found at <http://www.dcita.gov.au/shoponline/>.
- ♦ Use the ACCC online shopping checklist (see centrespread).
- ♦ Find out what law applies. If you are trading with a business in another country the transaction may be subject to laws other than Australia's.

### Seals of approval and codes of conduct

Many websites display 'seals' or 'badges' of approval indicating that the site has been approved by an independent organisation. Or they may display symbols that indicate they are a member of an industry code of conduct. Seals can indicate that you're dealing with a business which cares about providing a good, reliable service. Check out



the 'Seals of assurance' fact sheet at <http://www.dcita.gov.au/shoponline/>.

### Protect yourself

- ♦ Check the business has the right to display the seal of approval. Don't rely on the mere presence of one of these logos to decide whether to buy from a web business. Go to the seal/code of conduct website and verify that the business is actually a member (usually there will be a link from the business's website).
- ♦ Check you know what the seal stands for. Some seals check out web businesses against one criteria only, such as privacy. If you're concerned about refund policies, there's no point relying on a seal that only examines the site's privacy policies.

### Your right to a refund

The Trade Practices Act gives warranty and refund rights to consumers that businesses in Australia are legally obliged to honour. The statutory warranties set out the minimum obligations of sellers. See the ACCC's publication **Warranties and Refunds** at <http://www.accc.gov.au/docs/warrant/httoc.htm>.

Goods must:

- ♦ be of merchantable quality (i.e. a basic level of quality that would be reasonable to expect);
- ♦ be fit for any purpose made known to the supplier;
- ♦ match any description or photograph given of the goods; and
- ♦ be free from defects.

If the product does not meet these standards, you are entitled to reasonable compensation — a refund, repair or replacement.

In the case of services, they should be rendered with due care and skill and be reasonably fit to achieve the purpose specified.

### Protect yourself

Always identify refund and warranty policies on the website. If in doubt, ask the business about its practices.

Make sure you know if you are dealing with an overseas trader.

When buying from an overseas website, the applicable law may be that country's and you may not be covered by any statutory warranties. Even if you are covered by Australian law, it is a lot more difficult to get compensation from an overseas trader than it is from an Australian business.

### Internet auctions

Internet auctions are popular with people looking for bargains, obscure items and collectibles. But remember, you're not buying from the web-based auction house itself such as eBay or Yahoo, but from an individual or company who may not be an honest, reputable dealer.

Auction houses simply provide a forum for people to trade with one another. They usually take no legal responsibility for any loss you may suffer using their services.

Once the bidding is over, payment and delivery is something for you and the seller to work out. If the item doesn't turn up after you've paid for it, or if it isn't what you thought you were buying, the auction house won't refund your

money. You need to go back to the seller and negotiate.

The statutory warranties which exist under the Trade Practices Act do not cover goods bought at auction. The seller's only obligation is to give clear title.

### Protect yourself

- ♦ Verify the seller's identity and contact details.
- ♦ Check the seller's 'form'. Many auction houses have feedback forums where you can find out about the previous conduct of a seller who has traded with the auction house before. Use this facility before agreeing to pay any money.
- ♦ Use an agent, such as an escrow agent. An escrow service is an independent third party which holds payment in trust until the buyer receives and accepts the agreed upon item from the seller.

### Cyberscams

To legitimate traders, the Internet is a medium through which they can sell to the world. Unscrupulous operators have a different agenda — it's an environment where they can hide their true identity, reaching a large audience at minimal expense and disappearing quickly without trace.

International experience suggests that about 10 per cent of Internet transactions may be fraudulent — people using new technology and old ideas to relieve innocent consumers of their money. They include illegal schemes and scams such as 'get rich quick' schemes, miracle health products and phoney lotteries.

Treat any email or Internet invitation to send money with caution — use the ACCC online checklist to assess the risks.

### Spotting cyberscams

To help you spot cyberscams, watch out for these:

- ♦ Promises of instant wealth — incredible returns offered for minimal work. If it sounds too good to be true, it probably is.
- ♦ Up-front payments — be wary of any scheme where you have to pay an initial fee before receiving information about the way it operates or to be eligible for further entitlements such as prizes, gifts or start-up kits.
- ♦ Pay for a secret — a common scam which offers a secret money-making method used by many successful and wealthy business people, but only if you pay a fee first.
- ♦ CAPITAL LETTERS — scams often use capital letters to emphasise their more extreme claims e.g. MAKE A MILLION DOLLARS BY WORKING FROM HOME!!!!!!
- ♦ Testimonials — scams often have glowing comments from participants claiming to have made their fortune. Anyone can write these comments and there's usually no way to check their claims.
- ♦ Something for nothing — if the site or email promises money or prizes in return for personal information, it's probably a scam to collect your valuable private details for online marketing activities.

### Protect yourself

Ask for substantiation of any claims including projected earnings.

- ♦ Make sure you get full contact details of anyone you are dealing with.
- ♦ Keep records of any communications you have.
- ♦ Get legal advice. If you participate in an unlawful scheme you could be breaching the law and be subject to penalties under the Trade Practices Act.
- ♦ Don't make up-front payments without knowing exactly what you're getting.
- ♦ Ask how they deal with your personal information.
- ♦ Report cyberscams to your ACCC office or State Fair Trading Department.

### Protect yourself

- ♦ Don't give out your email address without checking the privacy policies of the trader.
- ♦ Don't provide personal information to surveys or forms unless you are confident your information will be protected. If you provide this sort of information to a business which sells email addresses to online marketers, you could find a lot of strange and anonymous email clogging up your inbox.

### Pyramid and referral selling, multi-level marketing

These schemes claim to make you rich through the primary activity of recruiting other people into the scheme and rewarding you for introducing those new members.

Under the Trade Practices Act they are illegal, although they often claim to be legitimate direct selling activities. Direct selling schemes, including multi-level marketing schemes, recruit participants to sell products and any rewards come directly from those sales.

On the other hand, pyramid selling schemes usually induce people to subscribe by promising payments if they introduce more participants. Saturation point is reached very quickly and later recruits have little chance of recovering their money. These schemes heavily reward the top of the pyramid at the expense of everyone else in the scheme.

Sometimes they are run in conjunction with a product or service — for example, an Internet service provider may offer to give you discounts on your Internet access for every member you recruit and members that they, in turn, recruit.

### Spam

Spam is unsolicited or junk email. It's a simple and low-cost method many marketers use to reach large numbers of consumers. Spam, as such, is not illegal in Australia, but it is often used to promote schemes and scams which are illegal.

The 'no junk mail' sticker for your letter box has no electronic equivalent, and some marketers simply take your angry response as confirmation that your email address is accurate and current.

Spammers often buy mail lists from people who have harvested addresses from websites or news groups.





These schemes are common on the Internet, both on websites and via email, and employ the full gamut of marketing hype such as testimonials, talking up the opportunities and emphasising how easy it is to make money.

### Look out for statements like

'This is not illegal. It is a legal multi-level marketing program.'

'Your recruits do the work for you, you just sit back and bank the money.'

'Join this interactive investment club full of MLMers and other entrepreneurs, just like you.'

### Protect yourself

- ♦ Ask for substantiation of projected earnings.
- ♦ Get legal advice.
- ♦ Don't make up-front payments.
- ♦ Don't send cash through the mail.

### Competitions and lotteries

These schemes claim to offer the unsuspecting punter the 'winning ticket' in a lottery or competition, but only if they first pay a fee. These scams are often lotteries that require the winner to travel overseas or buy something else substantial before they can collect their tickets.

Under the Trade Practices Act it is illegal to:

- ♦ make claims about lottery prizes which are false, misleading and/or deceptive;
- ♦ offer gifts or prizes with the intention of not providing

them, or of not providing them as offered;

- ♦ provide a price for entry in a lottery which is not the full cash price.

### Beware of claims like

'You have won a holiday in Vanuatu, simply pay your administration fee of \$15 to collect tickets to a tropical paradise!!!'

'Just send \$25 for government taxes and the prize is yours.'

'Reverse the odds — join our lottery syndicate and share in the winnings from the biggest lotteries in the world — GUARANTEED!!!'

### Protect yourself

- ♦ Ask for details about how the lottery is administered.
- ♦ Ask for evidence that the prize or gift is worth what the claims say or imply.
- ♦ Ask about all the steps you need to take and the total payments required before you can claim your prize or gift.
- ♦ Don't provide your credit card details.
- ♦ Ask where the company running the competition is located.

### Virtual health 'treatments'

Be wary of delinquent marketers who use cyberspace to peddle 'miracle' treatments and cures. Many of the ads, which feature exotic potions and pills, special curative diets or newly discovered treatments, contain questionable claims about their effectiveness and safety.

Misleading offers could cost you money and jeopardise your health, especially if they delay or forgo proper medical treatment. Look out for phrases like 'scientific breakthrough', 'miraculous cure', 'exclusive product', 'secret formula', and 'ancient ingredient', as well as claims like 'Lose 20 kilos in 2 weeks!' and 'Amazing instant results!'. Be wary of testimonials from 'famous' medical experts.

### Protect yourself

- ♦ Ask for scientific proof that the product works — testimonials do not amount to proof.
- ♦ Before you buy, consult your pharmacist, doctor or other health professional.
- ♦ Ask about the seller's medical knowledge, expertise and qualifications.

### Home work schemes

'Earn thousands of dollars a month working at home using your PC!' It's this kind of line that has hoodwinked thousands of unsuspecting people working from home. But watch out — they frequently overstate the achievable earnings and are often vehicles to sell low quality or worthless products to consumers who can't then on-sell them.

Usually they ask you to pay a registration or set-up fee before they provide you with the basics to set up the business.

The Trade Practices Act makes it illegal to:

- ♦ make false, misleading or deceptive claims about business opportunities, including predictions of future earnings;

## E-commerce — advice for consumers cont.

- ♦ offer a price for goods or services which is not the full price that consumers have to pay;
- ♦ send invoices for goods or services that have not been authorised.

### Beware of claims like

'The next step is to purchase a comprehensive information package for \$99.'

'A few years ago I believed that I really had to work hard to make money ... but then I discovered a revolutionary method of making money by being my own boss ...'

### Protect yourself

- ♦ Ask for proof that the projected earnings are reasonable.
- ♦ Don't make up-front payments for starter kits or information packages.
- ♦ Get legal advice before you invest.

## Getting online — what to watch for

### Free PC with Internet access

Many recent offers of free PCs come bundled with Internet access. These offers usually involve consumers entering into a contract for Internet access with a pre-determined ISP that they can be locked into for lengthy periods. The monthly costs of the Internet access are bundled with the repayment for the PC and a credit charge.

### Protect yourself

Get answers to the following questions.

- ♦ How does the price of the package compare to the total price for the separate components (including buying different components from different suppliers)?
- ♦ If interest is charged, how does the rate compare to other forms of credit over the term of the contract ('interest free' periods often get made up later)?
- ♦ How much of the monthly charge is for Internet access and how much is repayment of the PC?
- ♦ How do the features of the PC compare with other PCs? What is the processor? How much storage capacity does it have? How fast is the modem? What software is included? Is a printer or other peripheral equipment included?
- ♦ What support services are provided for the PC and the Internet access?
- ♦ How much 'unlimited' Internet access will you realistically use? Many Internet service providers offer free trial periods for the first month.
- ♦ Are there any limitations on the Internet service — is it available in your local call area at all times? How reliable is the Internet service provider's connection?
- ♦ Are there charges for exiting the Internet contract early?

- ♦ Does the contract let the Internet service provider change the access charge during the life of the contract?
- ♦ What if you change your mind — is there a 'cooling off' period or can you get a refund?
- ♦ What happens if the Internet service provider goes out of business?

### Free Internet access

Some ISPs offer Internet access for free. Some of these offers are genuine, but usually rely on you either viewing their advertising or recruiting new members to the ISP as a condition of the 'free' surfing. This can be a great opportunity to introduce you or your family to the Internet, but there are a few pitfalls to look out for.

### Protect yourself

- ♦ Make sure any offer that involves signing up new members isn't a pyramid or referral selling scam (see p. 12).
- ♦ Find out whether you will have to view certain advertising to take up the free offer and ask about the effect this will have on your browsing activity.
- ♦ Check that the company has the infrastructure (bandwidth, server quality and dial-in lines) to handle the number of clients it is likely to attract by offering free services. Ask the ISP what rights you will have if it does not have sufficient lines into its servers. The servers might not be able to quickly process the number received, causing delays or resulting in the server crashing.

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ACCC GST website — <http://gst.accc.gov.au>

## New from the bookshelf

With GST starting from 1 July 2000, the ACCC has released several publications to help consumers and businesses understand how to manage its introduction. These include:

Price Exploitation and the New Tax System (second edition, March 2000)

Public Compliance Commitments (January 2000)

GST Talk 1: Electronic goods: the price will go down (July 1999)

GST Talk 2: The New Tax System: What changes? When? (July 1999)

GST Talk 3: Price exploitation and consumers in the New Tax System (March 2000)

GST News for Business 1 Pricing claims and the New Tax System (revised edition, March 2000)

GST News for Business 2 Pricing during the New Tax System transition (revised edition, March 2000)

Other ACCC publications released recently include the latest edition of the ACCC Journal (no.25), Energy magazine and two information sheets for small business, Advertising, selling and the Trade Practices Act and The Franchisee's Guide to the Franchising Code of Conduct.

