



## Strike Force Virtual Meeting | August 1, 2024

Chair Lina Khan:

Good afternoon everybody. It's great to be here today to kick off the first public meeting of the Strike Force on unfair and illegal pricing. This Strike Force was launched by President Biden back in March to make sure that no American pays inflated prices due to corporate lawbreaking or exploitative tactics. The FTC is happy to co-chair the Strike Force alongside the Department of Justice, and I'm so glad that we have the chance to gather with our partners across the government today to discuss our efforts to bring down the prices that Americans are paying for everyday goods and services. The Biden-Harris administration has already made so much progress, slashing credit card fees, capping the cost of insulin, making it easier and cheaper to get hearing aids and so much more. In a bit, we'll also hear about the action that the Department of Transportation took just this morning to make air travel more affordable for families.

Together, we've saved billions of dollars for millions of Americans, but there's much more work we can do. Often we get taught that the prices people pay are just a reflection of supply and demand, but sometimes businesses can use their power to unfairly inflate prices just because they can. This can happen when firms are not disciplined by competition, so they know that if they hike their prices, their customers have nowhere to go. It can happen when firms secretly collude to raise prices in tandem, and it can happen when firms use bait-and-switch tactics to mislead people about what the real price will be. The FTC has been laser-focused on ensuring that no American faces inflated prices due to illegal business practices. In May, an FTC investigation uncovered evidence of an oil executive attempting to collude with some of America's biggest geopolitical rivals to produce less oil, potentially raising the price of gas.

We proposed to ban him from the board because if executives pad their profits at the expense of everyday Americans, we won't hesitate to act. In June, following FTC action, several big pharma companies reduced the cost of many asthma inhalers down from hundreds of dollars to just \$35 out of pocket. This came after the FTC challenged more than a hundred patent listings that we believe these companies had improperly listed unfairly blocking generic competitors from coming to market and lowering the price. This work is already making a difference and saving hundreds of dollars a month for the millions of Americans who rely on inhalers to breathe. We're currently working towards finalizing our click-to-cancel rule. Too often businesses require people to jump through endless hoops just to cancel a subscription. Customers end up paying dozens if not hundreds of dollars a month in subscriptions they want to escape.

Our proposed rule require that companies make it as easy to cancel a subscription as it is to sign up for one ending the tax on people's time and money. While talking with people across the country about the biggest economic challenges they face, one of the top concerns I consistently hear about is high grocery

prices. Every week, people stock up on the food that they need to feed their families, and too often people feel like too much of their paycheck is going towards covering the basics like meat, or bread, or eggs. Thanks to the efforts of this team and this administration, inflation for grocery items has averaged zero so far this year. Many of the items that people buy most often, things like cereal, and pasta, and potatoes, cost less now than they did last year, but it still isn't clear that Americans are fully getting the competitive affordable prices that they deserve.

Grocery prices skyrocketed during the pandemic due in large part to the higher costs and supply chain disruptions, but we also know that in the year since costs have fallen and supply chains have improved. Many items though are still too costly and many large grocery chains are still raking in enormous profits. The FTC is determined to understand why. To make sure we can do so, I'll be asking the commission to join me in launching an inquiry into grocery prices to shed light on why it is that prices and profits remain so high even as costs appear to have come down. We want to make sure the major businesses are not exploiting their power to inflate prices for American families at the grocery store. We'll continue using all of our tools to expose and crack down on any underhanded tactics that companies may be using to raise prices on the basic things that Americans need the most.

We have to use the full extent of our authorities to stop any corporate lawbreaking that inflates costs for American families. This is essential work that will help ensure that Americans can be free from economic coercion and indignities in the marketplace. I'm so grateful for all of the good work that our partners across government are doing day in, day out, and look forward to continued collaboration. I'd like to now turn the floor over to our fellow co-chairs at the Department of Justice who have been steadfast partners in the Strike Force. To kick things off for the Department of Justice, we have acting Associate Attorney General Ben Mizer.

Ben Mizer:

Thank you, Chair Khan. As the chair mentioned, I'm the acting Associate Attorney General at the Department of Justice, and in that role, among other things, I oversee the antitrust division and the civil division, both of which play a very important role in Strike Force's work. I'm joined today by the heads of those divisions, Assistant Attorney General Jonathan Cantor, and Principal Deputy Assistant Attorney General Brian Boynton. You'll hear from both of them in a minute about specific actions that their divisions are taking to combat unfair and illegal practices that cause Americans to pay higher prices. But first, I'd like to take a few minutes to describe our work at a higher level. Here at the Justice Department, we are addressing these practices across a broad range of industries using every legal tool at our disposal. We are applying the antitrust laws to tackle unlawful behavior that affects the prices Americans pay on a daily basis.

Our investigations have led to the abandonment of mergers that would increase the price of staples that Americans purchase at the grocery store, and we've sued companies that facilitate the sharing of competitively sensitive information among meat processors, behavior that raises the price of chicken, turkey, and pork. In the transportation industry, we have successfully challenged an airline merger that would lead to higher ticket prices for travelers. Our consumer protection branch and the U.S. Attorney's offices have prosecuted individuals who have raised the prices of used cars by rolling back odometer readings and falsifying vehicle titles, and our commercial litigation branch has sued companies for forcing car buyers to pay for costly and unnecessary insurance. In healthcare, we have held pharmaceutical companies accountable for depriving Americans of affordable access to prescription drugs, and we've sued telehealth providers for misusing patient information and imposing burdensome cancellation processes that keep consumers stuck in subscriptions that they no longer want. Finally, we are combating fraudulent schemes that raise prices on government contracts and services through our False Claims Act work and our Procurement Collusion Strike Force, we are holding accountable those

who defraud Americans and steal from taxpayer funded programs. Our work spans industries from defense to healthcare, and it has led to the recovery of billions of dollars in settlements and judgments for the public fisc.

This is just a snapshot of the work that the Justice Department is doing to address unfair and illegal conduct that affects prices. We look forward to working with all of our partners here today to identify ways that we can collaborate to expand on this work. With that, I'll turn it over to the Assistant Attorney General for the Antitrust Division, Jonathan Kanter.

Jonathan Kanter:

Thank you, Ben. It is truly a privilege to join today and talk about the work of the Justice Department's Antitrust Division. The purpose of this Strike Force to and I quote, make sure corporations are held accountable when they try to rip off Americans rhymes with the mission of the Antitrust Division. Congress knew 130 years ago that proper well-timed and vigorous antitrust enforcement is one of our best and most effective tools to lower prices, spur innovation, and promote sound business practices while at the same time punishing wrongdoers. I was nominated by the President and confirmed by the Senate to lead the Antitrust Division at a time when the pandemic was still raging. There was suspicion that prices were curiously high even after supply and demand shocks have largely settled. I, along with my team, made at a point to get out and talk to people across the country.

We talked to farmers from Minnesota, ranchers in South Dakota, VCs in Silicon Valley, and small business owners in the Midwest, and working people across the entire nation, emergency room physicians, content creators, journalists, and just so many more. And here's what I heard. I heard that Americans frankly are tired. They were tired of getting squeezed. They were tired of living paycheck to paycheck. They were tired of worrying whether the economy would work for working people. Americans from all walks of life were simply tired of being ripped off, and they were particularly tired of hollow words and empty platitudes coming from the beltway. They didn't want book reports, or speeches, or calls for more calls to do calls. They wanted action. They wanted help, so we got to work. The Antitrust Division, which is home to the best antitrust, prosecutors, economists, technologists, professionals, and paralegals in the world rolled up their sleeves and got to work.

Today, I want to highlight concrete actions that the incredible amazing staff of the Antitrust Division took to make life more affordable in real terms for real people. This work is hard, it's painstaking, and it's not always glamorous, but it matters. Today I want to share eight examples of real actions that the Antitrust Division staff took to put more money in the pockets of real people by stopping illegal conduct. Let's start with healthcare.

In the United States, we have the best-trained doctors, researchers, and scientists in the world, but the price of getting their care is outrageous and it's getting worse. Health insurers aren't just gobbling up other health insurers, they're acquiring everything. So the Antitrust Division stepped in, stepped in to block the largest health insurer in the country from acquiring even more providers, technologies, and more. When doctors are no longer able to start a business and hang up a shingle and practice because of lumbering, greedy monopolies, we are not only concerned, but we must step in as the cops on the beat.

College tuition. When colleges and universities were price-fixing financial aid, the Antitrust Division stepped in to file briefs explaining why it was wrong. Today, colleges and universities have settled those claims and are giving money back to harmed college students. This conduct was especially egregious amid the student loan crisis that still today is stifling young people from starting families and buying homes. So let's talk then about housing. When Americans tired of paying more to buy and rent homes, the antitrust division team stepped in to make sure that Americans were not getting ripped off, whether by real estate agents or computers.

Income and wages. The Antitrust Division charged the first ever no poaching wage fixing cases in the last few years obtaining the first ever, we are so proud of this, conviction of an employer for colluding to stifle wages and growth. We are proud, extremely proud to side with college athletes and fast food workers against monopolies and restrictions on the mobility of workers.

Airfare. The Antitrust Division blocked two, not one, but two airline deals that would've raised the prices of airfare eliminated independent airlines. This has caused airfare to decrease. Just this year, economic research showed that consumer price index for airfare is lower, and I'm proud of the DOJ's role in making airfare more affordable.

Groceries. When Americans were tired of higher prices at the grocery store, the Antitrust Division stepped up to block mergers that would've resulted in higher prices for kitchen table staples such as lettuce and vegetables, and this includes our ongoing matters involving prices for chicken, turkey, and pork.

Supply chain. When Americans were tired of supply chain failures that inflated prices, the people, the hard-working people of the Antitrust Division stepped up to block not one but two mergers involving ocean shipping. In concert fees. When Americans were just sick and tired. The rising costs of poor customer service associated with live music concert tickets, the Antitrust Division stepped in to enforce the antitrust laws.

I want to be clear though, as much as we'll step up to address companies that violate the law and exploit hard-working people, opportunities are abundant and will continue to be abundant for honest businesses, and we will fight for open, vibrant market access for those opportunities. We want law-abiding companies to succeed, and we want them to thrive by competing. We want them to benefit from the opportunity to compete free from predatory monopolies that block innovation and competition. Often, the people at the Antitrust Division, the lawyers, economists, data scientists, paralegals, and professionals face monopolies who have more lawyers on a single case than we have people at the entire Antitrust Division. But my colleagues are undeterred. They're not intimidated. Every day they arise to the challenge and will continue to do so without fear or favor. The public is better off as a result and we all owe them a huge debt of gratitude. When I came to the Antitrust Division, I encountered the most talented and hardworking professionals in the world who are devoted to fighting to deliver results for the public. I told them that we are law enforcers and that we will speak with our actions and deeds rather than our words. And that is precisely what they have done and is precisely what they continue to do every single day. By their actions, they are fighting to enforce the law and lower prices for hardworking Americans every single day. Now, I would like to turn it over to Brian Boynton to discuss the work of the Civil Division.

Brian Boynton:

Good afternoon. The Civil Division is pleased to be a part of this important task force and shares the goal of preventing unfair and deceptive pricing practices that harm consumers. Many of the Civil Division's affirmative enforcement responsibilities, particularly those pursued by the division's Consumer Protection Branch and Civil Fraud Section, contribute to this objective. Our Consumer Protection Branch enforces both criminal and civil laws that protect Americans' health, safety, economic security, and privacy. Some of these cases involve schemes designed to defraud consumers through unfair and deceptive marketing or billing practices. We work closely with the FTC to develop and bring civil penalty cases investigated and referred by the commission.

For example, in June of this year, the Consumer Protection Branch filed a suit against Adobe regarding its use of an early termination fee as part of its subscription service. Our complaint alleges that Adobe fails to clearly inform consumers that the default option, which appears to be the most affordable,

actually includes a hefty termination fee if a consumer seeks to cancel before a year. For years, thousands of consumers have complained about Adobe's failure to disclose this fee. Our complaint alleges that while Adobe has known about the detrimental impact of this hidden termination fee since at least 2019, Adobe has intentionally retained the fee structure because it discourages cancellations and increases Adobe's bottom line. Our lawsuit seeks injunctive relief as well as civil penalties for Adobe's year-long deceptive practice of imposing this termination fee on consumers without adequate notice.

Our Civil Fraud Section also helps to combat fraudulent pricing schemes through enforcement of various statutes that prohibit fraud or other misconduct involving government agencies and financial institutions. While these statutes do not provide a direct cause of action for anti-competitive conduct or conduct that results in unfair pricing, the Fraud Section's enforcement efforts often do address that kind of conduct. One area in particular where the Fraud Section's work has helped protect against abusive practices is in the area of drug pricing. Working in parallel with our Antitrust Division colleagues, we've pursued cases involving price fixing. For example, three generic drug manufacturers paid over \$400 million to resolve alleged violations of the False Claims Act for conspiring to fix the prices of various generic drugs. We argued that the conspiracy resulted in the payment of illegal kickbacks and resulted in higher prices for federal healthcare programs and their beneficiaries.

These are just some of the ways in which the Civil Division's enforcement efforts are helping to protect consumers from abusive prices. We'll continue to use all of the tools at our disposal to help protect both taxpayers and American families from the harmful impact of unfair pricing. Again, we very much appreciate the opportunity to be a part of this task force and to support and contribute to its important mission. Thank you so much.

Chair Lina Khan:

Great. Thanks so much, PDAAG Boynton. We're now going to turn over to hear from Strikeforce member agencies. We're going to start off with Deputy Secretary Torres Small who will speak about the ways that the U.S. Department of Agriculture is working to make sure that agriculture markets are more open, fair, and competitive so that farmers and consumers can benefit. Over to you.

Xochitl Torres Small:

Thanks very much, Lina. I just left a conversation with farmers, and as I was heading into this meeting, I was thinking about how much things have changed. As we are talking about lowering prices and lowering food prices at USDA specifically, it's hard to imagine how much our economy has recovered and grown after the beginning of this administration starting in the depths of the pandemic, in one of the worst economic slumps that we had faced in over a hundred years. Now, our food and agricultural supply chains were stretched so thin during that time, that I'm sure all of us walked into grocery stores where shelves were empty, or prices were incredibly high, or that chip bag is a little less full. But also while farmers and ranchers saw the prices that they received on the other side of that, they saw those prices plummet as well.

So from the very first days of the Biden-Harris administration, USDA has been working hard to lower the costs for Americans and also give farmers a fair shake at the market by promoting more competition in the agricultural industry. We took unprecedented steps to stabilize agricultural markets during the pandemic. We also leveraged the powerful directive from Congress to boost supply chain resiliency to launch an unprecedented multi-billion dollar investment plan to directly incentivize competition and more choices specifically in food processing. These direct investments have been designed to increase competition and deliver longer term sustainable change to the supply chains that we realized have a

huge impact on our prices, resulting in fewer bottlenecks as well as more and better choices and fair prices for both producers, farmers and ranchers, as well as consumers, all of us at the grocery store.

USDA has already provided more than \$700 million in support for independent meat processing and also initiated a new approach to food procurement that increases opportunity, fairness, and resiliency by redirecting purchasing to smaller producers focused on local and regional markets. Increasing the number of food system businesses and that decentralized approach will increase competition, which is necessary to a functioning market that provides affordable prices for all of us and all consumers.

I'm pleased that we've made some progress in delivering more stable affordable food prices for families. If you look year over year, food inflation was 2.2% in June, which holds pretty close to the steady lows we've seen for the last seven months. There's also been a steady stream of disinflation since food inflation, which peaked at 11.4%. Grocery prices were even lower at 1.1% in the uptick in June. Year over year, grocery prices have shown sub 2% growth for eight consecutive months. What this means is that the challenges that we were facing during the pandemic, the ripple effects that we saw in the supply chain are now stabilizing.

At the same time, farmers are struggling to keep producing the food that we all put on our table. Farmers retain only a small percentage of the food dollars, so I want to be clear: Farmers haven't been the cause nor the solution of food price pressures on consumers. Rather, it's the concentrated market power in the middle and antiquated broken infrastructure that needs to be addressed to sustainably balance pricing pressures on all. That's why we were so pleased to be participants in the Strikeforce, along with the broader set of regulatory modernizations focused on competition and fair markets that the Biden-Harris administration has directed us to do under the historic Executive Order on Competition from July 2021.

Under that competition EO, we've been modernizing the regulations issued under the authority of our a hundred-year-old Packers and Stockyards Act and its role in bringing fairness and competition to the livestock, meat, and poultry markets. And we've been using a range of creative tools to boost competition and fairness for seeds which are so important for all of us who rely on an incredibly productive American farmer. I want to particularly highlight that under the Competition Executive Order, we're revitalizing our role in protecting consumers from unfair and anti-competitive practices, specifically in meat sales.

USDA's agricultural marketing service has been working hard to accomplish the mandate of the Competition Executive Order with a multi-year effort to analyze and address the range of practices and the competitive landscape in retail and meat distribution markets. The goal is to provide farmers, small and mid-size processors, and independent grocers fair market access, which will ultimately reduce food costs to consumers and boost resiliency and choice for producers. These actions complement a series of rulemakings that are designed to strengthen the Packers and Stockyards Act rule book. Already, our efforts have helped ensure transparency for poultry growers regarding their contracting and the inputs they receive from integrators under the tournament system to also protect producers from discrimination and retaliation. We also have more proposed rules coming out for comment now. We've also launched a historic partnership with State Attorneys General that leverages state and federal authorities' expertise and market insights to address concerns around fair competition in the agricultural sector.

I'll just close with the statement that we're facing anti-competitive conditions all across our food system, and so it takes this multifaceted approach that increases competition, equips farmers with the information they deserve, and coordinates across jurisdictions to ensure real accountability, and provide more choices to consumers and farmers alike. So I want to thank agency partners for their continued

teamwork on this important issue. It truly requires all of government approach, and I believe this Strikeforce represents our commitment to do just that. Thanks so much.

Chair Lina Khan:

Thanks so much. We're now going to go over to Deputy Secretary Palm who will speak on behalf of the Department of Health and Human Services.

Andrea Palm:

Thank you very much, Chair Khan, and thank you to you and to our DOJ colleagues for their leadership in this space. We at HHS certainly take this very seriously, and I would echo the USDA's comments around the whole of government approach. I think you heard from both FTC and my DOJ colleagues the places in which they've done really important work in healthcare, and our work together in this space means that we are going to be able to accomplish much more than if any one of us sort of goes this alone. So I think this Strikeforce is a really important part of helping the whole be greater than the sum of its parts and for us to really maximize the benefit we can bring to the American people through this really important work.

HHS is doing everything that we can within our power to make healthcare affordable, transparent, and fair for everyone. We do this by promoting competition, we do this by promoting transparency, because we know that competition means lower costs, better pay and conditions for workers, and faster innovation. Competition really is key in the healthcare space to a healthier, fairer future for all Americans. Let me just give you one example. Along with our friends, as I noted, at FTC and DOJ, we're taking really a comprehensive whole of government approach to tackling market concentration within the healthcare sector. We're working to put an end to things like shady fees and price gouging and marketing practices that are a little too slick for their own good. We're also working to promote choice in all parts of the healthcare system.

We want the American people to have all the information that they need to make choices for them and for their families that enhance their health and well-being. We are working very intentionally and I guess very intentionally and really hard on behalf of American families as we think about bringing down the cost of prescription drugs. Because of the president's lower prescription drug law, the Inflation Reduction Act, Medicare-covered insulin is now capped at \$35 a month. Again, really making this lifesaving product more accessible. Recommended vaccines for things like shingles and RSV are now available for free under the Medicare Part D program. Last year, more than 10 million Medicare beneficiaries availed themselves of this service, and we'll work to grow those numbers this year and in years to come. With a \$2,000 cap and out-of-pocket prescription drugs coming into effect on the 1st of January 2025, we're really looking forward to every Medicare beneficiary having the peace of mind of knowing that that cap protects them from having to make the tough choices between paying for their medications and paying for other real necessities in their lives.

The most important provision of the Inflation Reduction Act, however, allows Medicare to negotiate prescription drug prices. The first 10 drugs that are going to be negotiated for medications that treat serious chronic conditions, things like diabetes, heart disease, stroke prevention, cancer. And we're very excited here in the run up to September first when we will be announcing the first 10 drugs and the final prices that will be in place for those agreements. We really are committed to moving out quickly on the next set of drugs that are outlined in the statute and really think it's so important that we are going to put billions of dollars back in the pockets of American consumers and not in pharmaceutical CEO pockets. The cost savings in the Inflation Reduction Act extend well beyond Medicare. We extended the premium tax credits under the Affordable Care Act. That really has helped millions of Americans afford

health insurance. More than 21 million of them signed up in the most recent open enrollment period, which is a new record, a historic high, and a majority of those shoppers found a plan for \$10 or less once that premium tax credit was applied.

And millions more have benefited from the law's critical protections like not being denied coverage because you have a preexisting condition or because you're a woman or the protections that are provided to guarantee preventive care. I noted transparency earlier in my comments and I think Americans really benefit from these provisions. And we need a healthcare system that is fair and more transparency and that is really critical to the work that we're doing. For example, we're shining a spotlight on who's running healthcare facilities. Tens of thousands of facilities, including hospitals, home health agencies, hospices, nursing homes now have their ownership data that is in a publicly available place. This is because families, again, deserve transparency when they're making decisions about the care for their loved ones no matter where they receive it in the healthcare system. We're also looking closely at private equity companies and real estate investment trusts who purchase specifically nursing homes.

Families currently have no way of knowing which different companies or firms provide care to their loved ones and how they might be connected to the owners of that nursing home. And this has now changed because of the Biden Harris administration. We've finalized a regulation that requires nursing homes to disclose additional ownership and management information, and we will be making this information publicly available, again, thinking about equipping consumers with information to make good decisions. And really by strengthening our ability to examine nursing home ownership, we can improve transparency for the whole system and the people that we serve. We here at HHS really are committed to our mission of improving the health and wellbeing of the American people and protecting them from the activities that we are all talking about on this screen to promote competition, to increase transparency and really get the American people the care that they need and deserve. And what I've highlighted are just a few examples of the ways in which HHS is doing this. And again, we look forward to continued partnership with our strike force collaborators to move forward additional work and maximize the ways in which we serve the American people. With that, I will conclude and express again my appreciation to our chairs and to the committee more broadly for all their efforts in this space.

Chair Lina Khan:

Thanks so much and I'm glad you mentioned the nursing home rule. The FTC has certainly seen through our investigations and enforcement work a broader epidemic of private equity roll-ups happening across healthcare and worries that may be reducing competition and inflating prices. And so appreciate the partnership on those issues to make sure we're able to better spot and stop some of these stealth consolidation schemes. Now we'll go over to Subash Ayer from the Department of Transportation, he is acting General Counsel.

Subash Ayer:

Thank you very much. Today I want to focus on two recent steps that we at the Department of Transportation have taken to protect air travelers by lowering costs for families and putting money back in people's pockets. First, today we were very excited to announce a proposed rule in which we would ban families eating junk fees that could make it more expensive for parents to fly with their young children. As a parent of two young kids, I can speak from experience in saying that traveling with kids, especially toddlers, it's stressful. And airlines compound that stress by forcing parents to choose between paying an extra junk fee to get assigned seats next to their kids in advance, relying on the mercy of strangers to swap seats during the hectic boarding process or sitting apart from their small



child who may not even be able to talk or feed themselves. The options are no better for the other passengers who have to deal with a fallout when airlines don't seat their parents with their kids. The other passengers can voluntarily forfeit their seats, which they have been specifically selected and paid for. They can incur the wrath of the parent and remain seated next to an unsupervised child for duration of the flight.

These fees that parents have to pay to sit by their children can add up. It's understandable why so many parents do not pay. The airline is charging \$25 [inaudible 00:36:09] for each assigned seat. A family of four could pay up to \$200 extra for a round trip. The rule we proposed today would spare families this unwanted added expense, in addition to banning family seating junk fees that will also require airlines to seat parents next to their children for free when adjacent seats are available at booking or refund or rebook them for free when they are. By requiring fee free families seating, our rule would make it more affordable for families with young kids to fly. Second, I want to highlight several actions we've taken to make sure air travelers get their money back when airlines don't deliver. In the aftermath of the IT meltdown on July 19th, secretary [inaudible 00:36:57] announced that DOT is investigating one airline. After receiving thousands of complaints of problems stemming from the [inaudible 00:37:06]. This week, he also sent letters to the 10 largest airlines in the US warning them about their financial obligations to passengers during and following the IT meltdown and any cancellation or significant change. A lot of our focus is making sure that people get the money they're owed in refunds and reimbursements. Based at our refunds rule was fortified in the Federal Aviation Administration Reauthorization Act that President Biden signed into law in May, passengers are entitled to get their money back properly and in cash when they do not receive or accept travel alternatives following a cancellation or a major delay. This means that airlines don't get to keep passengers money and they can't force the travelers into vouchers when they don't deliver. And thanks to the leadership of Secretary [inaudible 00:37:57], airlines are already on the hook with their enforceable commitments to provide free rebooking, meals, hotels, and transportation to and from hotels during controllable [inaudible 00:38:09].

That means passengers don't have to pay out of pocket when they're stranded by their airlines. Based on complaints and other [inaudible 00:38:17] we've received, we're concerned about reports of airlines misleading passengers about refund rights, automatically giving credits instead of refunds, giving invalid credits and vouchers and customer service breakdowns. And we made it clear to the airlines that we'll be taking all [inaudible 00:38:37] steps to responsibly enforce these provisions and obligations using our investigative and enforcement powers. Thank you all for having me and thank you everyone for your partnership, FTC and DOJ. Especially as we work to lower costs for Americans.

Chair Lina Khan:

Thanks so much and big congratulations to DOT on a huge milestone today to make sure that parents can sit next to their children without paying exorbitant junk fees. We'll now go over to Director Chopra from the Consumer Financial Protection Bureau.

Director Chopra:

Well, Chair Khan, thank you so much for convening this meeting of the strike force. We heard a lot during the pandemic and the aftermath about why prices went up because of supply chain disruptions or costs. But the more and more we scrutinize that claim, the more we find it is totally false. We are seeing so much exploitation and gouging of not just consumers, but also honest businesses. I know our time is short, so I want to share just some brief updates on the work of the CFPB and where we've been devoting some real attention that is important for this strike force. First is private equity price gouging. We've heard about this from Deputy Secretary Palm and Chair Khan. Across the law enforcement

community, there's really been widespread recognition that the status quo approach to fines and penalties is often seen as a cost of doing business.

And private equity investors have caught onto it. When an investor like a private equity fund takes control over a company and directs the company to illegally gouge or mistreat consumers, that investor is often long gone once law enforcement comes around. That's why the CFPB is investigating the role of not just individual executives, but also the investors like private equity funds that called the shots on misconduct. The facts might reveal that the controlling investor or other investment vehicle may also be liable for breaking the law. And as law enforcement, we simply can't turn a blind eye to the private equity price gouging that we're seeing. By uncovering facts that reveal who's really calling the shots to commit crimes against consumers, we can better put a stop to these unlawful practices. Second junk fee scams. The CFPB continues to lead many efforts to crack down on these unavoidable, surprise, excessive, or unnecessary charges imposed for fake or even worthless services.

We've taken legal actions and put into place rules that will save families and businesses billions of dollars every month on bank accounts, credit cards and more. But we're not stopping there. Just last week we issued a report about school lunch junk fees imposed by companies that process payments for our children's school lunch in this country. That's chipping away money for families who must pay big fees to reload their child's school lunch card. We're working with the USDA and the Department of Education to really make sure this practice does not keep hitting low-income families. Hard junk fees are hitting small businesses too. Mortgage lenders report to us that the cost for credit reports and credit scores have skyrocketed, sometimes by 400% since 2022. It's not because it's got more expensive to create these reports and scores, it's because these companies think they can get away with it.

The CFPB is looking at using existing laws on the books to make sure these fees, which get passed on to consumers, are fair and reasonable. Finally, credit card collusion. For many Americans, credit cards are used to cover the costs of basic goods and their daily expenses. And as we heard earlier, consumers are often seeing higher costs at checkout, often out of exploitative pricing and greed rather than market forces. But they're not just ripped off at checkout, they're getting ripped off on their credit card bill too. According to CFPB analysis, we found that credit card interest rate margins hit an all time high. And it's true, overall market interest rates went up, but a number of credit card issuers have hiked their interest rates way more than those overall rates. And as credit card rates have soared, often 30% or more Americans have been paying over a hundred billion dollars in interest each year.

That's why we're scrutinizing all aspects of the credit card market from bait and switch rewards tactics to credit reporting collusion to interest rate backdating and more. This trillion dollar market is high on our radar. We expect that our work to jumpstart competition and crack down on questionable tactics will save people billions of dollars. In sum, the news that inflation has cooled in recent months is great for families and our economy as a whole, but across the government, agencies need to continue to work hard to bring down the costs of core expenses that families face. And we know that lots of families are still being squeezed, especially when some companies continue to get away with charging illegal fees to pad their profits. We're going to continue to work with all of you to end illegal junk fees, bring down prices, and promote a fair and competitive economy that really benefits everyone.

Chair Lina Khan:

Thanks so much, Director Chopra. I'll just say personally, of all the innovation I've seen in junk fees, school lunch junk fees may be the most grotesque I've heard of. Thanks to everything you're doing to put an end to that. Next we're going to go to Chair Gensler from the Securities and Exchange Commission.

Gary Gensler:

Thank you so much, Lina. Thank you for our colleagues from DOJ for putting this together. As a chair of a commission, I just have to note that my views are my own as chair of the SEC, and I'm not speaking on behalf of my fellow commissioners or the staff. We were all together, I think it was in March when President Joe Biden was with us, and at that meeting he set up this task force and he said quote, "Engaging in illegal practices that are fraudulent or unfair or deceptive or anti-competitive, we will enforce the law." End quote. Well, here at the SEC, our mission is to protect investors, facilitating those issuers tapping into the markets, and then of course maintaining in the middle that which sits in the middle, fair, orderly, and efficient markets. So guarding against deception, fraudulent or anti-competitive practice is at the heart of what the SEC does.

And when we were set up 90 years ago, Congress embedded in our statutes across the board, anti-fraud provisions. But Congress came back in the 1970s giving us additional authorities and made us a competition authority. Not like the DOJ, not like the FTC, but still they embedded in our statute, the word competition 20 times. The SEC pursues these important mandates from Congress every day overseeing \$110 trillion capital market. I'll note that's four to five times our whole banking sector. As President Biden further said in that meeting, we joined him in March. "Capitalism without competition is not capitalism." I end quote. The SEC addresses unfair deceptive and anti-competitive business practices in everything we do through our enforcement, through our rulemaking, through our market oversight. It's not just about law enforcement. The SEC working through its enforcement division, often working with DOJ as well is a cop on the beat in the securities markets.

We bring nearly 800 enforcement actions a year, and while there are many cases related to fraud and unfair practices, I'm just going to highlight three if I might. Earlier this year, we settled in action against a large asset manager, TIAA-CREF for making recommendations to retail customers while failing to disclose that substantially equivalent lower cost shares were available, marketing something that's higher priced while they have lower cost shares available. Last year we settled a case against Wells Fargo for overcharging advisory counts. In '22, we charged three Charles Schwab investment advisor subsidiaries for not disclosing that they were sweeping cash, they were sweeping their investors cash to its affiliate bank, loaning it out, keeping the difference between the interest earned and what they were paying to their clients. These are just three examples that highlight the work of the SEC. We also do a lot through rulemaking projects, working to enhance competition across all three parts of our mission.

We do so by promoting transparency, access and fair dealing in the markets. Among probably the most important projects we're focusing on is promoting greater competition and access in the base of our capital markets, the US Treasury market, 27, \$28 trillion in size. But also in the stock market itself, what's called the equity markets, well over \$50 trillion in size and promoting greater competition in a market that over time keeps growing but also keeps shifting to what people would call the off market or dark markets with in any given day, a third to a half of the market may be off exchange and ensuring fair competition. Look, we don't just stop there. We also do it through our oversight, through examining registrants, through the tens of thousands, literally tens of thousands of filings we receive, many of which Congress has said, we have to look to make sure that there's not any competitive practices as well.

Before I close, Lina, if I could just say one thing about a transformative technology I think all of our agencies are looking at, because it's the most transformative technology of our time and its artificial intelligence. I think this technology offers tremendous promise. I'm one of those individuals that really thinks individuals in our economy have already benefited. I'm not just talking about generative AI, I'm talking about over the last 10 years and it will continue to have benefits, but at the same time, each of our agencies will be pressed to grapple with some really tough issues of this technology and what it

means to guarding against deception and fraud or any competitive behavior. As it relates to securities markets, bad actors might seek to use artificial intelligence to deceive or defraud the public. We've already seen it, so it's not a hypothetical. We've already seen it, but make no mistake, under the securities laws, fraud is fraud.

If you're deploying the model, you have responsibilities for that model you've deployed. As it relates to potential anti-competitive behavior, we've seen elsewhere in our economy where one or a small number of tech platforms can come to dominate a field. Department of Justice, Federal Trade Commission, you grapple with that every day. Others do, CFPB for sure also does. Finance tends towards concentration as well. But tech platforms even more so. Due to the cost, reach, and network economics, we may see the same come to pass in the field of AI and related data aggregation, and I think all of us will be grappling with it further. Bad actors might even use artificial intelligence to game a system, signaling competitors about pricing or otherwise to undermine competition. So again, I just look forward to all the collaboration going forward on behalf of the American public, because again, capitalism without competition isn't capitalism, and that's what we've got to always focus on.

Chair Lina Khan:

Thanks so much and couldn't agree more that we're already seeing how some of these AI tools are turbocharging fraud and it's so important for all us, all of us to be using our existing tools there. We'll now go over to Chair Rosenworcel from the FCC.

Chair Rosenworcel:

Thank you so much Lena, and I appreciate this conversation about what we can do government-wide to think about unfair pricing. Now, in the interest of time, I'm just going to focus on one really big initiative that we recently worked on at the FCC that involved pricing that was profoundly unfair with consequences that were truly unjust and that involves prison pay phones. For families of the incarcerated, talk does not come cheap. Families are often separated from their loved ones by hundreds of miles. Phone calls are the only way to stay in touch, but for most of those families, the price of a single phone call is as much as any one of us pays for our monthly unlimited plans. And this has been an injustice that has gone on for years and years, because what we have is a single company that sets up a single contract with a jail or prison and then they get to charge sky-high usurious rates to those who are incarcerated and their families just to stay in touch.

And many of those families can't actually afford those phone calls. This affects so many people in the United States. There are 2.7 million children that have a parent who is in prison, but honestly, it affects all of us because regular contact with family reduces recidivism. And for the last decade, the FCC has tried to lower these rates and in many cases has had our handiwork sent back to us by the courts. So about two years ago, we decided to do something new. We worked with Senator Tammy Duckworth and we got a new law passed the Martha Wright-Reed Just and Reasonable Communications Act, which President Biden signed into law in late 2022, and then just two and a half weeks ago, the FCC took action under that law. Going forward, we have the cost of phone calls from prison and to prison by 90%. This is historically significant. We have waited decades to actually provide this kind of relief to the families of the incarcerated, and it is finally here.

We're really proud of the work we did here, and I want to add, it was done on a bipartisan basis at the FCC and we got rid of along the way, junk fees that showed up in those bills including site commissions, ancillary fees, and we also took steps to make sure that those who are disabled are also able to have communications with folks who are incarcerated. In any event, this was just a big initiative that has taken a long time to actually come to pass. But two and a half weeks ago, we made this change for the

good, and like I said, we lowered rates by 90% and that's going to take place and effect both in-state calling and interstate calling.

And I think it's an example of concerted effort to try to lower prices in a way that has real meaning for people on the ground. I've got lots more to talk about that we're doing, but I'm going to nod to the time and say that that was one of our biggest and most important and most historic initiatives when it comes to lowering prices and creating a more fair market. So I'll offer that and turn it back to you, Lina.

Chair Lina Khan:

Well, many congratulations on getting that over the finish line. I mean, talk about real impact and a real difference for real people's lives. So congratulations to you and the whole team. So really appreciated hearing from everybody and very much appreciate all the tremendous work that's happening across the administration to be taking on illegal pricing, fraudulent practices, anti-competitive pricing. I think we've seen a lot of progress in pricing coming down, but we hear day in, day out about how this remains a big pain point for people. And so additional work that we can be doing in the coming months will be terrific. Grateful again to our co-chairs at the Department of Justice and our partners across the strike force for their whole of government efforts and the fantastic collaboration. This will now conclude the public portion of the meeting. Thanks so much everybody for tuning in.