



Consumer Assembly '82

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SPECIAL: A new bi-annual *Action Faction Supplement* for state and local consumer groups focuses on the utility issue—what it's all about, what can be done, what groups are already doing.

Consumers will confront the Reagan Administration policies on issues ranging from economics to deregulation to telecommunications at CFA's 14th Annual Consumer Assembly. Reaganomics: The Consumer Response is the theme of this year's assembly to be held January 14 and 15 at the Mayflower Hotel, Washington, D.C.

"This will be like a national town meeting where politicians and citizens meet to discuss policies," said CFA Executive Director Stephen Brobeck. "There will be an open dialogue between top Administration officials and consumer leaders. It's going to be combative, but it will also be informative."

The Administration's chief regulators—FTC Chairman James C. Miller, CPSC Commissioner Nancy Harvey Steorts, Deputy Secretary of Agriculture Richard E. Lyng and Raymond Peck, Administrator of NHTSA—will discuss

Reaganomics: The Consumer Response

the future direction of their agencies. Consumer advocates, including Rhoda Karparkin, Carol Foreman, Joan Claybrook, and Mark Green, will respond.

Consumer Assembly, a CFA calendar event since 1968, is the largest annual meeting of national, state and local consumer leaders in the country. The two-day conference brings together hundreds of leading repre-

sentatives of consumers, labor, farmers, business and government to discuss current consumer affairs. The Assembly includes debates on crucial policy issues, keynote addresses, workshops, panel discussions and "how-to" meetings for state and local consumer leaders.

Among the issues to be discussed at Consumer Assembly '82 are natural gas decontrol, telecommunications, food safety, public opinion polls, Reagan's economic policies, reindustrialization, interest rate preemption, the impact of Reaganomics on the poor, international consumer issues and corporate consumer representation. For state and local consumer groups there will also be workshops on media coverage of consumer issues, effective fundraising techniques, grassroots organizing, and the consumer role in utility decision making.

For information on registration, call Karen Eppsteiner at CFA: (202) 387-6121.

ON CAMERA

11/18 • CBS Morning
Legislative Director David Greenberg warned of disastrous consequences if Congress disallows assumable mortgages. Given the present state of the housing market, he said assumable mortgages represent "the last gasp of middle-class homebuyers."

11/18 • Today Show
In a segment on Federal interest rate preemption presented by Betty Furness, former Government Affairs Director Jim Boyle explained that pending federal legislation would wipe out all state laws protecting borrowers from loan shark style interest rates and various deceptive fees and charges.

12/3 • McNeil-Lehrer Report
In a debate including Sen. Claiborne Pell (D-RI) and Assistant Treasury Secretary John Chapoton on "safe harbor

leases," Executive Director Stephen Brobeck argued this corporate tax loophole represents a "sloppy, inefficient" way of bailing out unprofitable companies and will cost taxpayers an estimated \$58 billion through 1986.

12/15 • Inside Business
Brobeck explained the sugar support price loan program in the 1981 Farm Bill will primarily benefit large highly profitable corporations with an estimated cost to consumers of \$1 to \$2 billion in 1982.

12/19 • It's Your Business
In a debate with Chamber of Commerce President Richard Leshner and Rep. Billy Lee Evans (D-GA) on proposed changes in the Bankruptcy Act, Greenberg attributed the recent rise in personal bankruptcy to high interest rates, aggressive creditors and unfair collection methods.



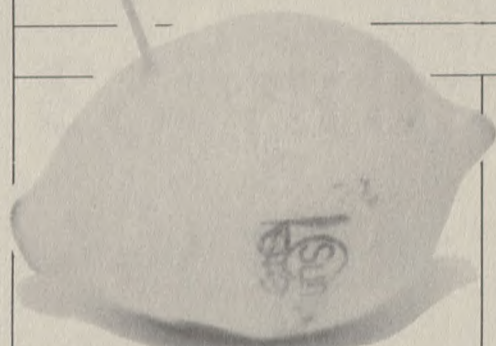
Among the general session speakers for Consumer Assembly '82 are: (clockwise from top left) Rep. John Dingell (D-MI), Chairman of the House Energy Committee; Thomas Donahue, Secretary-Treasurer, AFL-CIO; M.I.T. economist Lester Thurow, and Carol Greenwald, President of the National Consumer Co-op Bank.



for the TAXPAYER
the SUGAR PROGRAM
is a . . .

How Sweet It Is— For Sugar Producers

By Stephen Brobeck, Executive Director



On December 16, the House passed the 1981 Farm Bill, approved earlier by the Senate, that re-established a costly sugar price support program. With a support price level rising from 17¢ in 1982 to 18¢ in 1985, this act could cost consumers more than \$8 billion in higher prices in the next four years.

Sugar supports, like those for other agricultural commodities, are intended to protect domestic producers and processors from low and rapidly fluctuating prices. Producer-processors can borrow funds from the government's Commodity Credit Corporation (CCC), using sugar as collateral. The amount borrowed represents the quantity of sugar put up as collateral times the support price level, or the "loan rate."

If sugar prices rise sufficiently above the support level to cover transportation and interest costs, producers pay off the loans and sell the sugar. If, on the other hand, the price doesn't rise high enough, the producers can default on their loans with no interest obligation. The government then assumes ownership of the sugar and tries to sell it itself.

Protecting Producers or Consumers

This program can impose substantial costs on consumers and taxpayers. When the international price falls below the price domestic producers expect, the government tries to push the price of imported sugar above this level to avoid defaults. It does this by imposing

duties and fees on the imported sugar, thus keeping the cost of sugar artificially high.

Each penny increase in the price, according to Department of Agriculture estimates, costs consumers an additional \$300 million annually. Since there is currently a spread of 7-9¢ between the price of sugar imports and the price domestic producers would expect

Legislative Analysis

when the support price level rises to 17¢ next year, the Senate's sugar program could cost consumers \$2-\$3 billion and even more if the world price falls.

Sugar in the Soup

This expense escalates consumer costs for other products as well. Higher sugar prices drive up the price of corn sweeteners, now one-third of the market for all sweeteners. As cane sugar prices rise, corn sweetener producers can hike their prices and still remain competitive.

But the greatest impact on consumer pocketbooks from the increase in sugar price supports is not readily apparent to many shoppers. Consumers cannot avoid the price hikes by merely cutting back their use of table sugar. Three quarters of sugar consumed in this country is in processed foods, and when sugar costs increase so do the costs of nearly all processed foods. *Consumer Reports* revealed several years ago, that sugar is an important ingredient even in foods such as Ritz crackers, tomato soup, and TV dinners.

Government Plays "Sugar Daddy"

As taxpayers, consumers may be forced to bear an additional expense as well. Sugar producers borrow money from the CCC at below-market rates. Rep. Peter Peyser (D—NY) estimates that in 1982, the CCC will have to borrow \$1 billion, at market rates, to provide these low-interest loans. If producers default because the government is unable to impose fees and duties sufficient to raise the price of imports to the level these producers need, they are charged no interest on these loans. Then, if the government is eventually forced to sell the sugar below the support price level, it in effect loses a portion of the principal it lent as well.

Sugar producers claim they need protection against low and volatile prices, but the chief beneficiaries of the sugar loan program would be large conglomerates who in the last two years have enjoyed near-record profits.

The Department of Agriculture estimates that only 22 companies would derive 30% of all benefits accruing from the Senate program. By insulating these firms from foreign competition, the sugar program also allows domestic producers to operate inefficiently, thereby building pressure for higher support price levels in the future.

Narrow Defeat

An unusual collection of groups formed to oppose the sugar price support proposal: farmers who believed cuts in other commodities' programs went too far, consumer organizations and corporate users who thought the sugar program was too generous to producers. In the end the groups lost, but only by a narrow margin. The House bill passed by a mere two votes.

Whose Pocketbook Will Be Filled By Natural Gas Decontrol?

The Big Oil Companies within the Fortune Five Hundred. They own approximately 75% of the country's natural gas reserves. Energy Action has estimated that speeded-up or immediate decontrol will increase gas producers' revenues by between 370 and 600 billion dollars, respectively, between now and 1985.

In a study recently released, the U.S. House of Representatives' Energy and Commerce Subcommittee on Oversight and Investigations found that 98% of the profit increase reported between 1978 and 1980 by the Fortune magazine 500 largest U.S. industrial corporations went to the 56 oil and gas industry companies—\$19.2 billion. These oil and gas firms increased their share of overall industrial profits from 24.4% to 42.2% during the same period.



For the Fortune 1,000 largest industrial corporations, the 82 oil and gas companies accounted for 96% of the increased profits; the other 918 companies split the remaining 4%. When overall profits during this period are adjusted for inflation, profits in real terms actually declined sharply for companies not engaged in oil and gas development while energy firms still showed great gains.

According to Bankers Trust, the redistribution of profits from other industries to energy companies reduced the amount basic industries had to spend on productive investment in 1980 by \$50 billion. Not only will gas decontrol continue the redistribution of investment, creating more Chrysler bail-outs, but the reduced investment and reduced consumer spending will increase the unemployment rate beyond the current 8%, a rate matched only by the Ford Administration during post-war period.

Reagan's pocketbook policy can best be summed up as emptying the pocketbooks of basic industries through higher prices in order to stuff the pocketbooks of the major oil and gas companies.

— Ann K. Lower

CFAnews

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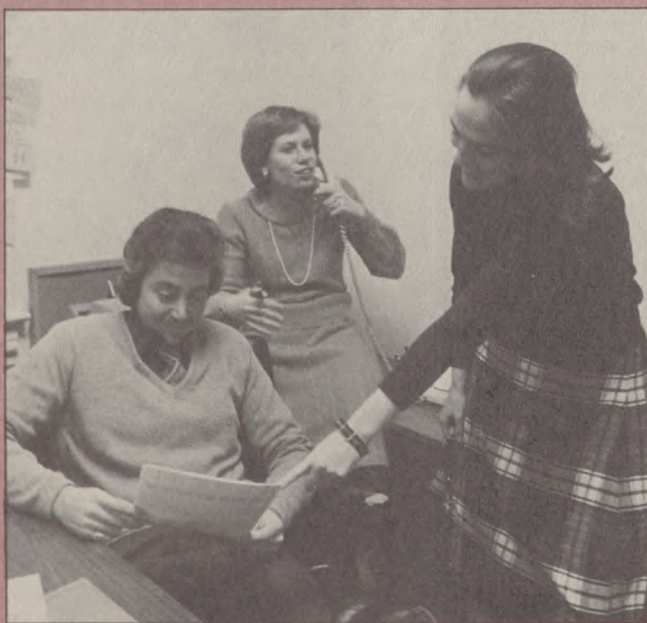
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New Staff

Hard at work at CFA are new staff additions: (l-r) Legislative Representative Ed Greelegs, Administrative Director Karen Eppsteiner and Administrative Ass't. Debbie Poor. Ed brings extensive Capitol Hill experience to his job, including a staff assignment on Rep. Bob Eckhardt's Oversight and Investigation Subcommittee. Karen worked with the Kennedy for President campaign and Debbie worked with a public interest group.

Action Faction Supplement

Since 1974, nationwide residential utility prices have more than doubled. What is more disconcerting is that utility consumers are bearing the brunt of the rate increases. For example;

- In 1979-80, the average Michigan Consolidated Gas customer's bill increased by \$138—of which only \$21 was approved by the Public Service Commission (PSC), while \$117 passed automatically and without review.
- In 1979 alone, informal actions by the Wisconsin PSC resulted in \$290 million in rate hikes by private gas and electric utilities.
- Over the past year, northern California residents were subject to \$1.4 billion in utility rate hikes by Pacific Coast Electric.

Consumers throughout the country are facing monthly hikes in their utility bills with no relief in sight. But many are mobilizing in an effort to

Consumers Respond to Utility Challenge

By Agnes Tabah, CFAnews Assistant

increase their input into utility company rate decisions.

Until the early 1970s, domestic and international economic conditions meant utility companies did not have to increase their rates to keep up with costs. Oil and natural gas supplies were inexpensive and abundant; low inflation and better plant technology allowed utilities to expand at minimal cost.

New Policies Needed

With the oil embargo of 1973 came the realization that the foundations upon which

utilities were built—indefinite expansion and cheap fuel—were crumbling.

The new economic configuration has shed a new and unfavorable light on utility company practices, previously unquestioned by consumers. Ratepayers have become painfully aware that no institutionalized channels exist through which to effectively participate in the rate-making process. Moreover, customers, as well as experts in the field, have realized that the predominant rate structure of declining blocks, which benefits large users and penalizes residential users, is no longer suited to today's conditions.

sioners responsible for their decisions, yet those decisions ultimately determine how much money consumers will have to hand over to the utilities. To support this argument, proponents of the elected board point out that some states with an appointed PSC have utility rates that are 12 to 14% higher than in states with an elected PSC.

The Root of the Problem

Although rate increases are often the consumer's immediate cause of concern, an equally important but difficult issue to tackle is rate structure reform. Presently, the declining block design is predominant in the U.S.

Groups such as T.U.R.N. of California, have long challenged promotional declining block structure which was designed for very different economic circumstances. Today, declining block design promotes waste and inefficiency and discriminates against small users.

To remedy the situation, "flat" and "inverted" rate designs have been proposed. Under flat rates, all customers would pay the same charge regardless of usage and customer class. Under inverted rates, the cost per KWH would increase as the consumer uses more electricity. Because it offers incentives for conservation and benefits low-income consumers, this rate design has become extremely popular among rate structure reformers.

A third alternative is the lifeline structure, which establishes a set block of low-cost electricity sufficient to cover average utility needs such as cooking, heating and lighting. The lifeline system could then be hooked into either the flat, inverted or declining rate structure for any electricity used in addition to the initial block.

When lifeline rates were first proposed, many groups sought them only for special population segments such as the elderly or low-income consumers. Now, however, a universal lifeline system is most popular because proponents have found it to be a more economically justifiable rate design, and politically, the most broad-based system.

Consumers Take Action

State and local consumer groups around the country agree two factors are necessary for success in any utility reform campaign: sufficient grassroots support and well-researched and viable proposals.

Coalition-building through state-wide networking insures that politicians will recognize consumer utility concerns as widespread and legitimate. In addition, proposals put before the public utility regulatory boards must be technically accurate and well designed to guarantee serious consideration.

Accompanying articles on the next page look closely at some of the strategies being used by state and local consumer groups who are active on utility issues. Some of the groups have experienced considerable success in their efforts, while others have met setbacks. But their experience is helpful to any groups considering action in their own state on utility issues.

For More Information . . .

UTILITY RATE REFORM

The Rate Watcher's Guide: How to Shape Up Your Utility's Rate Structure. By Richard Morgan. An excellent introduction to basic concepts of electric rate making. Explains such issues as rate structures, peak load pricing, load management, inverted, lifeline and flat rates, and how to participate in the regulatory process. 108 pp. \$4.95 plus postage from the Environmental Action Foundation (EAF), 724 Dupont Circle Bldg., Washington, D.C. 20036.

Understanding the Automatic Adjustment Clause: A Guide for Wisconsin Electric Consumers. By Wisconsin CUB staff. 40 pp. \$3.00 from CUB, Box 8003, Madison, WI 53708, (608) 255-2971.

How to Prepare a Lifeline Proposal. A step-by-step guide to designing a lifeline plan. By Vermont PIRG, order form EAF, same address as above.

Inverted Rate and Lifeline Decision Packet. A collection of articles, testimony, commission decisions and state laws describing various state actions to adopt lifeline and inverted rates. \$4.50 from EAF, same address as above.

Rate Structure Organizing Packet. A collection of articles, organizing materials, and other resources useful to organizers of utility rate reform campaigns. \$5.50 plus postage from EAF, same address as above.

Rate Reform Opposition Packet. Articles and reports explaining how utilities and their large customers oppose the reform of rate structures. \$4.50 plus postage from EAF, same address as above.

CITIZEN UTILITY BOARD

Report to the Governor from the Governor's Interim Appointees to the Wisconsin Citizens Utility Board. April 1981. Assesses CUB's membership and financial status to date and reviews CUB's relations with the state's utility companies in regard to enclosing CUB notices in utility bills. Also included is a preface summarizing the history of CUB and the content of the law creating CUB. Free from Wisconsin CUB, Box 8003, Madison, WI 53708, (608) 255-2971.

GENERAL

The Cleveland Utility Guide. Includes information on various policies and practices of the utility companies in Cleveland on financial assistance programs, weatherization and conservation programs, and on various energy complaint resolution services. Although specific to the Cleveland area, can be useful as a model for other groups. By Joyce Cohen of the Cleveland Consumer Action Foundation, 445 The Arcade, Cleveland, OH, 44114.

The Power Line. A monthly journal about utility reform activities across the country. Includes frequent articles on rate structure developments. Back issues are available. From EAF, same address as above.

The Consumer Education Resource Network can also provide interested groups with extensive lists of available resources on numerous utility issues, without charge. Contact CERN, Suite 600, 1555 Wilson Blvd., Rosslyn, VA 22009/(800) 336-0223.

Consumers Respond

How have consumers met the challenge of making their voices heard? Three approaches—often used in combination—seem to predominate: launching petition drives to place utility issues before the voters, lobbying to create citizen utility boards, and lobbying for elected rather than appointed Public Utility Commission members.

Consumer groups in California, Missouri and Illinois have launched petition drives against rate hikes which come as a result of automatic adjustment clauses. Since the oil embargo, electric utilities have had the right to automatically pass fuel cost increases on to consumers. The biggest danger is that this removes the incentives for efficiency in the purchase of fuel—there is no reward for utilities to find the cheapest supplies.

Some petitions have been limited to one or two issues—to initiate legislation which would abolish the automatic clauses and to demand full hearings and review before increases are passed. Many petitions, however, have been only the first step in a longer and more far reaching process to create a citizens' or ratepayers' utility board (CUB), which ensures consumers effective representation before utility regulatory agencies and the state legislature. (See Wisconsin CUB article on next page.)

New Balance Needed

Consumers agree that the utility regulatory system is unbalanced, with the scale tipping toward the utilities. The important question is how to remedy a situation in which consumers have not been fairly represented.

One solution is the CUB; another solution that can supplement the effectiveness of the CUB, is the election of Public Service Commission (PSC) members. The PSC is the major regulatory organ of utilities, and commissioners have traditionally been appointed to the PSC by the state governor.

Proponents of an elected PSC argue that the appointment system does not allow consumers to hold the commis-

Wisconsin Citizens' Utility Board

"Citizens who have tried to fight utility rate increases at state regulatory commission hearings have learned that it's like fighting an army with a pop gun," says Wisconsin Citizens' Utility Board Director Sharon Chamberlain. Armed with experts, lawyers and a full coffer, utilities are too great a match for the individual consumer.

Wisconsin citizens have been the first to participate in a new approach to consumer involvement in utility issues that is gaining popularity throughout the country: the citizens' utility board (CUB). The Wisconsin CUB has a legal mandate to represent and lobby on behalf of residential utility consumers at all levels of government and before the state Public Service Commission (PSC).

It took three long years of lobbying before the CUB was established by the Wisconsin state legislature in 1979. The enacting legislation created a non-profit consumers' group, funded voluntarily by its members, and governed by a democratically elected board of directors. In an important victory for the citizen's board, the legislation also gave the CUB the authority to send notices in monthly utility bills giving information about the board and inviting ratepayers to join.

Two years after its establishment, CUB boasts over 50,000 members and is taking on a wide range of energy issues. On CUB's legislative agenda are the abolishment of the automatic fuel adjustment clause for privately owned electric utilities, the establishment of conservation rates, and the protection of consumers' right to solar and wind access. Wisconsin CUB, Box 8003 Madison, WI, 53708/608-255-2971.

Michigan Citizens' Lobby

At the forefront of the Michigan Citizens' Lobby agenda are utility and energy issues. In July, the Citizens' Lobby launched a petition drive to ban automatic rate increases tied to purchased gas adjustment and purchased power adjustment clauses. The petition, which needs 230,000 signatures by May 26, 1982 to place the proposal on the November 1982 ballot, would require full hearings before the Public Service Commission into utility rate increases before companies could put them into effect.

The proposal would also ban the use of fuel adjustment clauses and all other techniques to increase rates without a full hearing. According to Alan Fox, program associate for the Citizens' Lobby, the major problem with such automatic "pass throughs" is that utility companies have no incentive to bargain for the lowest cost supply if 100% of the amount it pays for gas is instantly passed on to its customers.

Since last spring, the Citizens' Lobby has gathered 60,000 signatures on its petition through a door-to-door canvassing effort. This winter, the Michigan consumer group will undertake extensive networking to increase its outreach.

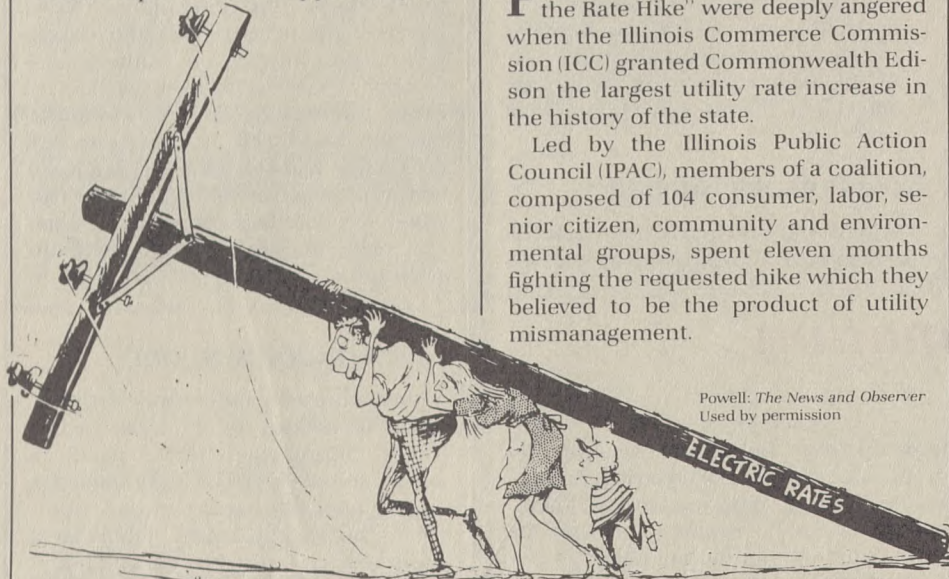
On the second front, the group is involved in an effort to reform utility legislation. Tuchinsky is a member of the 20-month old "Utility Reform Task Force" which was set up to mediate differences between utilities and consumers over effective and fair utility reform.

The Task Force is planning to propose a bill which contains major provisions on gas cost recovery, purchased power and fuel adjustments, power plant siting, intervenor funding, shut off protection and escrow rates. Michigan Citizens' Lobby, 400 S. Washington Ave., Lansing, MI, 48933/517-372-7111

Arkansas Consumer Research

Like the Michigan Citizens' Lobby, Arkansas Consumer Research has proposed utility reform legislation. The proposal takes the form of a state constitutional amendment which would rescind the fuel adjustment clause for electric utilities, and require hearings before the Public Service Commission on rate hike requests.

In addition, any new power plant construction site over 350 megawatts would require a vote of approval by the



residents of the state and utility companies would no longer be able to collect bond rates prior to the PSC's final ruling on rate increase requests.

Among the most important provisions of the amendment is the establishment of a ratepayers' utility board, similar to a CUB. Arkansas is using some Wisconsin CUB resources to establish its utility board, and the two would be similar. One difference, however, will be in the Arkansas board's financing mechanism. Whereas ratepayers in Wisconsin pay a \$3 membership fee to join CUB, Arkansas Consumer Research would rather finance its CUB by assessing the utility companies a small percentage of their profits. This mechanism is currently used to finance the Arkansas PSC. Arkansas Consumer Research, 1852 Cross Street, Little Rock, AR, 72206/501-374-2394

Missouri PIRG

With the era of cheap and plentiful energy at an end, home owners are looking for ways to reduce their energy consumption. Many consider weatherizing their homes, but are financially unable to do so. Utility loan programs to help finance energy conservation improvements are gathering the support of consumers around the country.

Missourians tasted their first victory in this area, as Union Electric (UE), one of Missouri's largest utilities, agreed to a Mo-PIRG proposal to establish a low-interest conservation loan program, as a condition for settling a UE rate hike case prior to a formal hearing.

Consumers will now be able to finance major energy conservation improvements such as attic insulation and storm windows at a 5% interest rate to be

paid back within 5 to 7½ years. UE agreed to provide \$2.5 million in capital to get the program off the ground. Mo-PIRG plans to seek similar agreements, with all the major utility companies in St. Louis and Kansas.

Also on Mo-PIRG's utility agenda is the creation of a Missouri Citizens' Utility Board, similar to Wisconsin's CUB. Mo-PIRG's co-director, Evonne Ianacone, sees a pressing need to establish a full time staff of consumer utility experts to counter the utilities' strong lobbying effort in such areas as pricing, conservation and safety. Mo-PIRG, P.O. Box 8276, St. Louis, MO 63156/314-361-5200

Illinois Public Action Council

Participants in the "Campaign Against the Rate Hike" were deeply angered when the Illinois Commerce Commission (ICC) granted Commonwealth Edison the largest utility rate increase in the history of the state.

Led by the Illinois Public Action Council (IPAC), members of a coalition, composed of 104 consumer, labor, senior citizen, community and environmental groups, spent eleven months fighting the requested hike which they believed to be the product of utility mismanagement.

Coalition members opposed the rate hike on several fronts. They attended numerous ICC hearings and met with the Attorney General, the Governor and state legislators on the issue. Over 5,000 letters of protest were sent to Governor Thompson, and many thousands more signatures were presented to the legislature.

Consumers lost the battle when the ICC acquiesced to the utility company's demands, but they have not surrendered the fight for fair utility rates. According to IPAC director Bob Creamer, the "Campaign" established a solid framework for future consumer action, and most importantly, provided the impetus for the Campaign to seek fundamental reform of the utility regulatory structure. The group is now seeking to change the ICC from a governor-appointed body to an elected commission.

IPAC believes the appointed ICC too often rubberstamps utility rate hikes without seeking independent analysis of the utility's financial condition or management efficiency to determine the validity of the request. IPAC, 59 E. Buren, Chicago, IL 60605/312-427-6262

T.U.R.N.

Toward Utility Rate Normalization of Northern California (TURN) is a pioneer in the field of rate structure reform. TURN was one of the earliest proponents of lifeline utility rates which guarantee low-cost energy to residential users. TURN was largely responsible for securing passage of legislation in 1976 mandating lifeline rates throughout California.

The California legislature is now reviewing the original lifeline act and TURN has been active in the review. Although the consumer group is advocating some revisions in the law, they feel it is vital to "reaffirm the purposes of the Act, conservation and economic equity, and to dispell the notion that unjustified 'subsidies' or 'welfare' considerations are involved."

TURN is also leading a petition campaign to stop proposed rate hikes in northern California totalling more than \$2.2 billion. TURN hopes to present 100,000 signatures to Governor Brown by December, 1981. T.U.R.N., 693 Mission Street, San Francisco, CA 94105 (415) 543-1576 —Agnes Tabah

Action Alert: CWIP

One of the most controversial—and potentially costly—surcharges now being sought by utility companies would include the cost of construction-work-in-progress (CWIP) in electric utility rates.

If approved, this measure would compel consumers to foot the bill for facilities which often take up to 12 years to complete. Many of the plants which would be subsidized by the CWIP surcharge are expensive and controversial nuclear facilities.

The Federal Energy Regulatory Commission (FERC) is considering a proposal, backed by private power companies, to pass on CWIP charges to wholesale power purchasers such as community-owned electric utilities.

The American Public Power Association, a national organization representing publicly-owned electric utilities, opposes the plan which will increase the rates of the affected utilities by \$1 billion.

APPA argues that if FERC allows CWIP to be included in wholesale rates, many states may follow suit and allow CWIP costs to be passed on to individual electric utility customers. An across-the-board application of the FERC proposal to all consumers could mean

rate increases of \$12 billion a year, APPA estimates. The amount is twice the retail rate increases awarded to private power companies during 1980.

"CWIP is a critical issue for utility consumers," said CFA Legislative Director David Greenberg. "The amount of money involved often outstrips the general rate increases that utility activists have fought for a decade."

"By this reasoning, if consumers are going to have to pay CWIP costs, they should be made shareholders in the company," said Greenberg. "If they are asked to share the company's risk, they should share the profit as well."

Under the CWIP plan, consumers could be forced to pay for plants that are on the drawing board but will never be completed. According to the APPA, nuclear power plants account for two-thirds of the \$465 billion now in existing CWIP; but nuclear plant cancellations are common—55 were cancelled between 1975 and 1980. In the event of cancellations, customers will have paid for a plant that will never be used (or useful.)

"If consumers are forced to put up this kind of risk capital, they must be treated as shareholders and given ownership of utility plants," Greenberg concluded.

Who's Who at the Regulatory Agencies

USDA: New Faces, New Policies

By Anne C. Averyt,
CFAnews Editor

You need a scorecard these days at the Department of Agriculture to keep the players straight. Under the Carter Administration, the consumer divisions were consolidated and Carol Tucker Foreman was solidly in charge as Assistant Secretary for Food and Commercial Services.

Foreman's old job has been split by the Reagan Administration between Mary Jarratt, Assistant Secretary for Food and Consumer Services, and C.W. McMillan, Assistant Secretary for Marketing and Inspection Services. Richard Lyng, Deputy Secretary of Agriculture, is their boss, directly under Agriculture Secretary John R. Block.

Foreman came to USDA from the consumer movement. She was Executive Director of CFA. Reagan's men come from the meat industry. McMillan was a lobbyist for the National Cattleman's Association and Lyng was President of the American Meat Institute. Secretary Block was one of the largest hog farmers in Illinois, and although Mary Jarratt did not serve industry, she consistently advocated cutbacks in the food stamp and other nutrition programs while on the staff of the House Agriculture Committee.

Face Lift

Not only are the faces new at USDA, the consumer mandate of the agency has changed as well. The new philosophy is what's good for the agriculture industry is good for consumers.

Only days after being nominated to head the Agriculture Department, Secretary Block told a press conference that the main difference between himself and his predecessor, Carter-appointed Bob Bergland, would be a reduced emphasis on consumer issues. "The best thing for consumers is a good healthy agriculture," he said.

And not surprisingly, the first order of business at USDA was a cutback of regulations.

"Given the right climate, business will accept the responsibility" of producing healthy meat, Ass't. Secretary McMillan says, "without someone constantly looking over their shoulder."

Because of the vast authority of the agency, the changes either implement-

ed or proposed at USDA are changing the entire course of U.S. food and nutrition policy. These changes range from the requirements for meat and poultry inspection and food plant sanitation, to beef grading standards, and from food labeling and food safety laws, to government guidelines for diet, Food Stamps, and the standards and availability of school breakfast and lunch programs.

Perhaps the most controversial changes have come from the department's Food and Nutrition Service, headed until recently by G. William Hoagland. Known in some circles as the ketchup-and-tofu man because of his office's proposed regulations on school lunches, Hoagland was kicked upstairs after the uproar that greeted the school lunch proposal.



Mary Jarratt
Assistant Secretary for Food and Consumer Services

The Food and Nutrition Service is under the supervision of Mary Jarratt's office. Although many observers consider Jarratt the weakest member of the USDA team, the responsibility for such crucial programs as food stamps and subsidized feeding programs is on her shoulders. The man considered to have the greatest power in Jarratt's office is her close advisor, Deputy Assistant Secretary, John Bode. A conservative who formerly served on Sen. Jesse Helms' staff, Bode plays the key role in developing nutrition program policy.

Pork Barreling?

Controversial changes are also coming from the office of C.W. McMillan, head of USDA Marketing and Inspection Services, formerly called Food Safety and Quality. McMillan is responsible for speeding up pork production lines by eliminating several steps in the inspection process; for cutting back the number of Federal meat inspectors, and for curtailing a Carter policy to discipline meat and poultry processing plants cited for sanitation problems.

The changes, according to McMillan, are aimed at "streamlining the system." The present laws governing meat and poultry safety are too rigid, he says.

To Label or Not to Label

The most controversial proposal to come from McMillan's department, however, is the expected reversal of the Carter Administration's requirement for the labeling of mechanically deboned meat.

Meat industry officials fought the Carter proposal bitterly. Labeling meat products which contained powdered bone content would cripple sales, they argued, of such products as hot dogs and bologna.

The industry was relieved when the new Administration took office, and renewed intensive lobbying. As a result, the MDM requirement was one of the first regulations targeted by the Reagan Administration for review and will likely be dropped.

One of the leading industry groups opposing MDM labeling is the American Meat Institute, formerly headed by Deputy Agriculture Secretary Lyng.

Although Lyng has taken himself out of the deliberations on MDM, his views are well known. He believes the MDM ruling is an example of government "overprotecting" consumers and hurting the industry.

Consumer leaders have been fighting the changes at USDA, but they do, at least, respect their enemies. According to Ellen Haas, Consumer Affairs Director at the Community Nutrition Institute: "Both Lyng and McMillan understand the importance of consumer participation in the decision-making process. The problem arises from their ties with the meat industry, which makes them advocate minimal government regulation to protect the public."

Where the Loyalties Lie

Where the loyalties lie at USDA—with industry or consumers—will become clearer in the next few months as the food safety debate takes sharper focus. USDA shares authority with the Food and Drug Administration for food safety law and the department will play a central role in determining the future of the Delaney Clause and other food protection legislation.

It is McMillan, and not FDA Commissioner Hayes, who chairs the Subcabinet Task Force on Food Safety. As chairman, he is the leading player in determining the Administration's food safety policy.

Although neither McMillan or the Administration have taken a public position on food safety, extensive modifications are expected when the Administration bill is sent to Congress.

Consumer Education Coalition Organizes

Representatives from 46 states attended a training conference sponsored by the Coalition for Consumer Education in early November. The Coalition, a grassroots organization with more than 1,000 members, was established early this year by CFA to promote national, state and local consumer education programs.

The two-day conference was held in Washington, D.C. with funding from the Consumer Education Resource Network (CERN). The state coordinators received in-depth training in developing an effective network, and learned how to set up a workable coalition in their home states.

But according to Coalition Director Judy Cohart, "The most important outcome of the conference was that it brought together state and local leaders who are dedicated to consumer education, and who will now go back to their states and build an effective coalition that will insure the future of consumer education."

The Coalition has coordinators for all the 48 contiguous states. They include college and high school teachers, state and local consumer affairs officials,

consumer affairs professionals, community labor leaders and others offering consumer education in a non-traditional setting.

The Coalition hopes to encourage the curriculum development of consumer education courses and to promote more effective multidisciplinary programs. It also wants to insure that adequate funds from education block grant money are allocated at the state level for consumer education programs.

At the national level, the Coalition is urging Congress to commit federal funds to pre-service and in-service training in consumer education, and is seeking to promote further development of a national consumer education center to disseminate innovative consumer education materials, programs and teaching techniques.

Anyone interested in joining the Coalition can obtain the name of his/her state coordinator by contacting: Judy Cohart, Executive Director, Coalition for Consumer Education, 1314 14th St. N.W., Washington, D.C. 20005.

ACTION POINT!

Editor's Note: This is the second article in a series on Who's Who at the Regulatory Agencies.

Telecommunications Revolution

By David I. Greenberg, Legislative Director

PART ONE

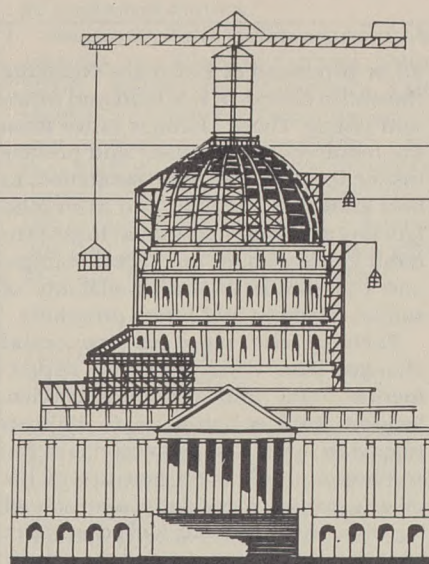
Imagine that the Senate, by a vote of 90-4, has given control of the airline, railroad, trucking and shipping industries to one huge firm, TT&T (Transportation, Transportation & Transportation). Realizing that such a massive "deregulation" of the entire system by which we move goods and people requires safeguards, the Senate legislation requires that each sector of the industry be operated by a TT&T "fully separated affiliate," wholly owned subsidiaries of the larger transportation network. If this scenario sounds absurd, many seasoned observers of the Capitol Hill scene would say you were not watching from the Senate gallery on October 7, 1981 when Senate bill 898 sailed through that body by the 90-4 margin mentioned above.

Editor's Note: This article, first of a two part series, looks at the telecommunications industry and the drive toward deregulation. Part II will evaluate the legislation and its implication for consumers.

S. 898 does not deal with transportation. Instead, the bill is the latest version in a multi-year attempt to restructure the entire communications environment. But the way that we move information may, in the 1980's and beyond, be at least as important as the way that we transport products and persons.

Telecommunications Explosion

To understand this new communications legislation requires an initial understanding of what is happening in the telecommunications industry. Long dominated by AT&T, that industry has in recent years seen substantial growth in the number of new companies willing and able to offer long distance and specialized business communications services in competition with the Bell system. At the same time, the increasing sophistication of the computer industry has reduced the distinctions between communications and computer services to the point that many experts believe there is no meaningful difference;



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essentially the same equipment is put to different uses. Telecommunications now encompasses traditional local and long distance phone service, satellite and microwave communications, and computer and data processing services through enhanced business equipment and home computers hooked up to TV screens.

AT&T's response to this new competitive and technological environment is simple, deceptively powerful and, according to its competitors throughout the communications and computer industries, potentially lethal. The response: remove the barriers to competition and let the free market work. Anyone within 100 miles of the Potomac River knows just how potent that argument is these days.

Will It Work?

Despite the appearance of competitors like MCI and Southern Pacific, AT&T still controls over 80% of the market in both local and long distance telephone services. So what the competition fears in the new, deregulated marketplace is easy to explain: The phone equipment competitors fear that Bell will not facilitate the connection of their equipment to the Bell local network; the long distance competitors fear that AT&T will make it difficult for them to connect their services to the local exchanges; and the computer competitors fear that AT&T will take its huge profits from its dominance of the telephone market and use them to gain a lion's share of the computer industry.

Taken out of the context of what's good for Bell's competitors, the consumers of communications services (which is all of us) should have an additional fear: What will it mean in a political and social policy sense to have one company potentially in control of the entire information and communications environment?

Banking Deregulation: Consumers Beware

The omnibus banking deregulation package currently before the Senate Banking Committee represents a serious threat to the nation's already weakened housing industry, according to CFA Legislative Director David Greenberg. In the name of deregulation, the bill also wipes out important consumer protections in the credit area, Greenberg said, and renders the federal truth-in-lending law virtually unenforceable.

CFA's opposition to the legislation, Greenberg explained, comes from its approach, not its purpose. "We recognize that banks, savings and loans, and credit unions have in some cases been buffeted by competition from money market mutual funds and unregulated financial services offered by companies like Sears and American Express. But that is not sufficient reason to deal a death blow to the housing industry, state usury protections, assumable mortgages and truth-in-lending."

The basic intent of the bill is to break down historical distinctions among commercial banks, S&Ls and, in some cases, securities firms. If enacted, the legislation will allow banks and S&Ls to offer money market funds, and will also allow S&Ls to enter the commercial lending area. Greenberg believes that the expansion of S&L authority presents the most critical threat to housing: "The savings and loan industry was formed to underwrite our nation's need for housing and its only true expertise lies in home lending. To unleash nearly desperate S&Ls into the heavy competition for business loans moves them into unknown terrain against heavily experienced experts. Many of the thrifts will be unable to compete and in the end their financial position will be weakened even more."

Greenberg also criticized the preemption of state usury ceilings and state laws permitting assumable mortgages. "These critical areas of state law have been given full consideration by the states and should not be wiped out in a massive federal bill where they are receiving scant, if any, attention," he said. "At minimum, these issues—as well as the elimination of civil penalties for truth-in-lending violations—should be considered separately."

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