

Consumer Federation
of America



1990

ANNUAL REPORT

Consumer Federation of America
1424 16th Street, N.W.
Washington, D.C. 20036
Telephone (202) 387-6121



Dear CFA Member:

I am pleased to submit the following report on CFA's activities and accomplishments.

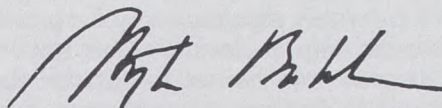
In 1990, we expanded our legislative, regulatory, and court-related advocacy from the previous year. Staff took leadership on eleven consumer issues and worked on more than 30 others. An indication of their activity was the 22 Congressional testimonies, 10 federal agency petitions or comments, and two court filings which they prepared.

Particularly noteworthy was increased advocacy on state issues. On telephone and insurance issues we were especially active, testifying before and speaking to governors, utility regulators, insurance regulators, and attorneys general, and writing three major studies calling for state insurance reforms.

In fact, CFA released an unprecedented number of studies on such subjects as insurance, telecommunications, banking, transportation, product safety, and consumer education. A report on the nation's consumer competency, for example, initiated a national campaign to improve consumer literacy.

These and other accomplishments would not have been possible without your support and encouragement. I and the rest of the CFA staff thank you for both and look forward to working with you in the coming year.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Brobeck". The signature is fluid and cursive, with a large initial "S" and "B".

Stephen Brobeck
Executive Director
March 9, 1991

Advocacy

Major Accomplishments

CFA staffers took leadership on many issues before Congress and federal regulatory agencies. Their advocacy on a number of these issues made a difference.

Consumer Product Safety Reauthorization: For the first time since 1981, Congress reauthorized the Consumer Product Safety Commission. CFA played a critical role in advancing this legislation, which strengthened the Commission not only by establishing increased authorization levels, but also by requiring improved regulatory practices. The well-publicized release of a report on the status of the nation's health and safety by the Coalition for Consumer Health and Safety, which we coordinate, reinforced the importance of reauthorization. Early in the year, CFA and Consumers Union released a major report calling for substantial increases in the agency's budget. We followed up this study by testifying before key Senate and House committees, and by lobbying members and their staffers.

Cable Television Reform: Escalating cable TV rates and inadequate service spurred Congressional efforts to reregulate the cable industry. CFA was the lead consumer group supporting reform legislation. After helping craft House and Senate bills, we promoted them by giving testimony, lobbying both houses, making a special presentation to House Telecommunications Subcommittee staff, and communicating through the press on programs such as "The Today Show" and "Good Morning America." We also submitted comments to the Federal Communications Commission urging them to use their limited authority to prevent monopolistic practices. Although legislation passed the House, the last-minute threat by several senators, backed by the White House, to filibuster the bill kept it from coming to the floor. Cable reform leaders promised to introduce stronger legislation in 1991.

Consumer Banking: Congress considered consumer banking reforms related to basic banking, truth-in-savings, CRA reform, and home equity loan improvement. With the American Association of Retired Persons, CFA took the lead in advocating reforms in the first two areas. To support legislation requiring banks to cash government checks and offer low-cost checking accounts, we prepared and released surveys of check-cashing outlets and bank fees, both of which were widely reported on by the press. The bank fee report also reinforced the need for improved savings disclosures. More importantly, we spent hundreds of hours working with members of both houses to advance the reforms. Although basic banking bills were not approved by banking committees, a compromise version was offered as an amendment to a housing bill, and nearly was approved. Truth-in-savings protections passed both the House and the Senate, but the two houses failed to reconcile the different bills.

Sustainable Agriculture: CFA took the lead in developing and advocating sustainable agriculture provisions that were incorporated in an omnibus farm bill, which was approved by Congress. Our advocacy included testifying before two House committees, lobbying members of Congress, and public education.

Telephone Rate Restraint: CFA was the principal national consumer group opposing efforts by Bell companies to take advantage of their monopoly position. Early in the year, with AARP we released a major study on the future of information services which concluded that allowing phone companies to speed up replacement of copper with fiber cable would be extraordinarily expensive. Later, with business users, we released a second report that argued relaxing MFJ restrictions would not improve the U.S. trade balance. In Congress, we testified before House and Senate committees and lobbied members and their staffers. A bill allowing Bell companies to enter manufacturing was voted out of the Senate Commerce Committee but went no further.

On the issue of relaxing regulation of AT&T long distance rates, we were less successful. Despite our lobbying of Congress and the FCC, the agency partially deregulated these

rates. Yet, on the issue of caller-ID, we had success establishing appropriate pricing and policy rules regarding introduction of many of these services by local phone companies. We helped craft Senate legislation and testified on its behalf. More importantly, our research director testified before public service commissions or legislatures in eleven states and was extensively quoted by the press on the issue. These interventions were instrumental in the decision of many states to set fair parameters for the introduction of caller-ID services.

Insurance Reform: Our principal focus in this area was to reform insurance at the state level. With other advocates and insurance agents, we continued our campaign to strengthen state insurance departments. To this end, we proposed and wrote studies of the "revolving door" problem and of state insurance consumer services. Both were widely reported by the press and stimulated state efforts at improvement. In mid-year, with the National Insurance Consumer Organization, we initiated a campaign to reform credit insurance by releasing a critical report of credit life insurance. Many state insurance departments then echoed our call for reforms, and we supported them by providing advice, letters, press statements, and testimony before the National Association of Insurance Commissioners. Another NICO-CFA initiative that influenced insurance departments was the release of an analysis of the impact of rising gasoline prices on auto insurer losses that called for a freeze of auto insurance rates. At the federal level, we supported legislation repealing the industry's antitrust exemption. For the first time, this bill was approved by a Congressional committee, House Judiciary.

Improved Indoor Air Quality: CFA continued to support legislation to reduce indoor air pollution including sending letters to Congress and working with Congressional staffers. The legislation was approved by the Senate and was voted out of a House committee, but never made it to the floor of the House.

Bank Institution Solvency and Bailout: One of CFA's top priorities was to ensure that affordable housing provisions of 1989 thrift bailout legislation were implemented and to prevent future solvency problems. In House testimony and in numerous meetings with leading regulators, including the Federal Reserve Board chairman and the Resolution Trust Corporation administrator, we advocated improvements to the affordable housing program. To encourage bank institution solvency, we proposed and publicized an amendment on a savings bank loophole, testified before a House committee on bank trust funds, and submitted comments to the office of the Comptroller of the Currency on capital standards. Late in the year, we released a position paper on structural reform that influenced emerging Congressional legislation.

Preserving Product Liability Protections: Working with other consumer groups, we helped block product liability legislation that would have severely restricted the rights of victims. Our advocacy included Senate testimony, Congressional lobbying, and public education through television programs such as "It's Your Business." But to speed up and streamline litigation, we did promote legislation, offering reasonable civil justice reforms, through testimony and lobbying. It was approved by Congress.

Restriction of Airport Access Fees: Some airports have sought to increase revenues by imposing various access fees including charges to low-priced auto rental companies operating off-premises. To oppose these fees, CFA helped develop Senate legislation, testified and lobbied on its behalf, and released a study arguing for its need. Although the bill remained in committee, it will be considered next year.

Securities Reforms: With other consumer groups, CFA supported reform of penny stock fraud and abuses and strengthening civil penalties for securities law violations. We wrote letters, distributed a fact sheet, lobbied members, and worked with committee staff. Legislation was passed by both houses and was signed into law by the President.

Financial Planning Reform: Legislation was introduced in the House to create uniform and strengthened federal regulatory oversight of the financial planning industry. CFA helped develop this legislation, then supported it through testimony, lobbying, public information, and mobilization of grassroots support. Although the bill was not voted out of committee, financial planning reform will be reconsidered in 1991.

Congressional Candidate Endorsements: CFA's Political Action Committee endorsed and supported 137 pro-consumer House and Senate candidates. Our most significant assistance

to these endorsees was preparing and distributing individualized press releases to local press. Many candidates used these endorsements in their campaigns. All seven senators and 106 of 109 representatives who were endorsed won re-election. Eight of 17 endorsed House challengers, but neither of the two endorsed Senate challengers, were elected.

Strategies

CFA pursued several strategies in advocating some 40 consumer issues considered by Congress, federal regulatory agencies, federal courts, and state governments in 1990. These strategies included Congressional and regulatory lobbying, coalition building and grassroots networking, advocacy-related research, and dissemination of information to the press.

1. Congressional and Regulatory Lobbying

CFA's principal lobbying strategy was communicating information and viewpoints to Congressmen, Congressional staffers, and regulators. Most of this lobbying took place in individual conversations and small meetings. But its extent is suggested by the number of testimonies, comments, and petitions submitted to Congressional committees, regulatory agencies, or state legislatures, and in court-related actions.

Month	Committee/Agency	CFA Rep	Issue
January	CPSC	Fise	Sleepwear flammability
	House Banking	Miller	Affordable housing
	FDA	Furst	Food labeling
February	Maryland assembly	Cooper	Doctor self-dealing
	House Government Operations	Kimmelman	Cable TV
March	House Energy & Commerce	Kimmelman	Cable TV
	House Agriculture	Miller	Sustainable agriculture
	House Appropriations	Miller	Sustainable agriculture
	Senate Judiciary	Kimmelman	Product liability
April	FCC	Kimmelman	Cable TV
	Senate Commerce	Kimmelman	Product liability
	Senate Judiciary	Cooper	Airport fees
	Senate Banking	Miller	Regulatory reform
May	House Appropriations	Fise	CPSC budget
	Senate Appropriations	Fise	CPSC budget
	CPSC	Fise	FY '92 priorities
	Senate Commerce	Kimmelman	Phone regulation
	House Energy & Commerce	Kimmelman	Phone regulation
	House Public Works	Cooper	Airport fees
June	Senate Judiciary	Cooper	Airport fees
	Senate Judiciary	Cooper	Caller-ID
July	FCC	Kimmelman	Price caps
	House Banking	Miller	International banking
	CPSC	Fise	ATVs
	House Energy & Commerce	Roper	Financial planning
	Senate Government Affairs	Fise	ATVs
August	FCC	Kimmelman	Phone regulation
September	Senate Banking	Miller	RESPA

	CPSC	Fise	Toy safety
October	House Banking NAAG House Government Operations U.S. District Court	Miller Brobeck	Bank trust funds Auto insurance
November	NAIC	Cooper Kimmelman	FERC regulations Phone regulation
December	OSHA OCC CPSC U.S. Court of Appeals	Brobeck Roper Miller Fise Kimmelman	Credit insurance Motor vehicle safety Bank solvency Toy safety FCC regulation

2. Coalition and Grassroots Network Building

CFA's unique character as a federation of national, state, and local organizations provided opportunities to build and maintain Washington-based coalitions and nationwide grassroots advocacy networks. We played a key role in organizing or maintaining coalitions to advance CPSC reauthorization and appropriations, consumer banking reform, telephone rate restraint, improved indoor air quality, and bank institution solvency. But our most ambitious coalition and networking efforts involved consumer product safety. A coalition of some 40 consumer, health, and insurer groups, the Coalition for Consumer Health and Safety which we organized in 1988, released a status report on the nation's health and safety, met with key Congressional and regulatory leaders, and supported a dozen federal policy initiatives.

3. Public Education

CFA staff prepared a number of studies demonstrating the need for new legislation or the preservation of existing protections. Most of the following publications were reported on by the news media.

General	<i>CFA's Congressional Voting Record</i> (Miller)
Telephones	<i>Expanding the Information Age for the 1990s: A Pragmatic Consumer Analysis</i> (Cooper, Kimmelman, AARP)
Banking	<i>CFA's Sixth National Bank Fee Survey</i> (Miller, Cooper, CFA members) <i>A National Survey of Check-Cashing Outlets</i> (Miller)
Insurance	<i>Credit Life Insurance: The Nation's Worst Insurance Rip-Off</i> (Brobeck, NICO) <i>A Study of the Tenure of State Insurance Commissioners</i> (Brobeck, others) <i>The Consumer Services of State Insurance Departments: An Evaluation</i> (Brobeck, others)
Transportation	<i>Airport Pricing of Access for Off-Premises Auto Rental Companies: The Growing Pattern of Abuse</i> (Cooper)
Health & Safety	<i>Pennies for Protection: A Report on the CPSC's 1991 Budget</i> (Fise, Consumers Union) <i>The Nation's Health and Safety: A Status Report</i> (Katz, Fise, others)
Consumer Education	<i>U.S. Consumer Knowledge: The Results of a Nationwide Test</i> (Brobeck) <i>Financial Education for Low Income Older Persons</i> (Roper, Cooper) <i>Money Management for Older Persons: An Emerging Industry</i> (Furst, Sloat, Roper)

4. Public Education: Press

In addition to reacting to numerous stories, CFA frequently made news. In 1990, we generated 18 separate stories that were reported on by the national press. In addition, we worked with other groups in organizing numerous press conferences, which led to additional stories. Print coverage included all major newspaper and wire services. CFA staff published op ed essays on caller-ID and cable television, and a letter to the New York Times on cable. They were interviewed on "The Today Show," "Good Morning America," CNBC programs, CNN news programs, and "It's Your Business."

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Consumer Education

Tele-Consumer Hotline

In 1984, CFA joined with the Telecommunications Research and Action Center, a CFA member, to establish a new information service for those confused by recent changes in phone service. This Tele-Consumer Hotline was set up as an independent organization that maintained a toll-free hotline number and mailed free fact sheets and other information on specific aspects of service. Managed by CFA and TRAC, over the past six years the Hotline has served more than 200,000 individual consumers and has reached millions more through extensive media coverage. It also offers special services to those with disabilities, including a shopping guide for the disabled.

Financial Services Education

With the American Association of Retired Persons, CFA staffers prepared a report on new money management services marketed to older persons. Basing the study largely on several hundred interviews with financial services providers and social service agencies, the research learned that medical billpayer services, while still in their infancy, are growing. It proposed a series of measures to prevent consumer abuses, including minimum standards and extensive consumer education.

Consumer Competency

This past year, working with the Educational Testing Service, CFA conducted the first test of the nation's consumer competency. The results were not encouraging. A random sample of 1139 Americans answered, on average, only 54% of 250 questions correctly. Predictably, the scores of the least well-educated, the poor, and most minorities were considerably below this level. Extensively covered by the news media, the report increased the public's awareness that there are important gaps in consumer knowledge. CFA then initiated a campaign to improve consumer literacy that will include a test of high school seniors, special reports on various subject-areas, roundtable discussions including one co-sponsored

by the White House Consumer Office, a study of the economic benefits of consumer education, and the definition of essential consumer knowledge.

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Member Services

Conferences and Special Events

The most important CFA meetings were held during a four-day period in March. The most widely publicized was Consumer Assembly '90, the nation's largest annual consumer conference. The more than 500 persons in attendance heard speakers including Representative Mary Rose Oaker, Representative Charles Schumer, Representative Craig Washington, CPSC Chairman Jacqueline Jones-Smith, NHTSA Administrator Jerry Curry, FTC Chairman Janet Steiger, White House Consumer Adviser Bonnie Guiton, NARUC President Sharon Nelson, Esther Peterson, Jeff Faux, Joan Claybrook, William Greider, Marian Wright Edelman, and many others address issues related to the theme of "Consumerism in a World in Change."

During this week, representatives from CFA member groups conducted the business of the federation. Members of 16 policy subcommittees met to review past policies and to recommend new ones. These recommendations were submitted and voted on at the Annual Meeting, where Board members and CFA officers were also elected.

To address specific issues more thoroughly, CFA organized three issue conferences attended by member representatives. In May, 150 persons participated in a conference on "clean air" policy proposals and their implications for consumers that was addressed by Representative Philip Sharp, Chairman of the House Energy and Power Subcommittee, and other energy policymakers. In October, another 150 persons heard keynote speeches by Representative Joseph Kennedy and EPA Indoor Air Program Director Eileen Claussen, and reports from a wide range of experts, on indoor air quality. Then in December, nearly 250 persons participated in CFA's sixth annual financial services conference at which Federal Reserve Board Governor John La Ware and Representative Byron Dorgan gave keynote speeches.

At the June Awards Dinner, nearly 500 persons honored Senator Paul Simon, Representative Ed Markey, Esther Shapiro, and Herb Dennenberg.

Publications

CFA member organizations received three regular publications:

- Eight issues of CFA's newsletter, *CFA News*, which reports consumer news and CFA advocacy.
- Three issues of the *CPS Newsletter*, which covers safety issues dealt with by federal safety agencies.
- Four issues of a quarterly newsletter, *Indoor Air News*, which reports on the indoor air activities of advocacy groups, scientists, regulators, and business organizations.

In addition, we published the 1990 policy resolutions adopted at the Annual Meeting and the 1989 Congressional Voting Record, CFA's rating of Congressional performance on consumer issues during the previous year.

State and Local Resource Center

CFA's State and Local Resource Center exists to strengthen state and local member groups by supplying them with information, technical assistance, and resources. The Center prepared and sent ten mailings with information on state issues, new publications, group news, and funding opportunities. Throughout the year, CFA staff responded to several hundred informational requests from representatives of member groups.

The Resource Center's state and local grants fund continued to make small grants to help state and local groups strengthen their organizations. With increased funding from Consumers Union, the Center was able to grant \$62,550 to 17 different organizations.

CFA also provided about \$15,000 in travel grants to grassroots activists to attend Consumer Assembly and three issue conferences. A primary purpose of these meetings was to brief advocates on pressing issues and to provide them opportunities to share information and strategies.

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Finances

Financially, 1990 was a pleasant surprise for the organization. Although we projected a deficit of more than \$70,000, representing payment of 1990 expenses with 1989 income, we ran a deficit less than \$22,000. Much of the difference between the predicted and actual deficit represented net income from a research project conducted for AARP.

By year's end, we had nearly \$390,000 in cash and more than \$400,000 in fund balances. Moreover, 1991 promises to be an even better year financially than was 1990.

	1989	1990
Income	\$817,169	\$781,578
Expenses	674,710	803,213
Surplus	142,559	(21,635)
Total Fund Balances (end of year)	\$426,416	\$405,346

