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Consumer Federation of America  
Consumer Federation of America Foundation

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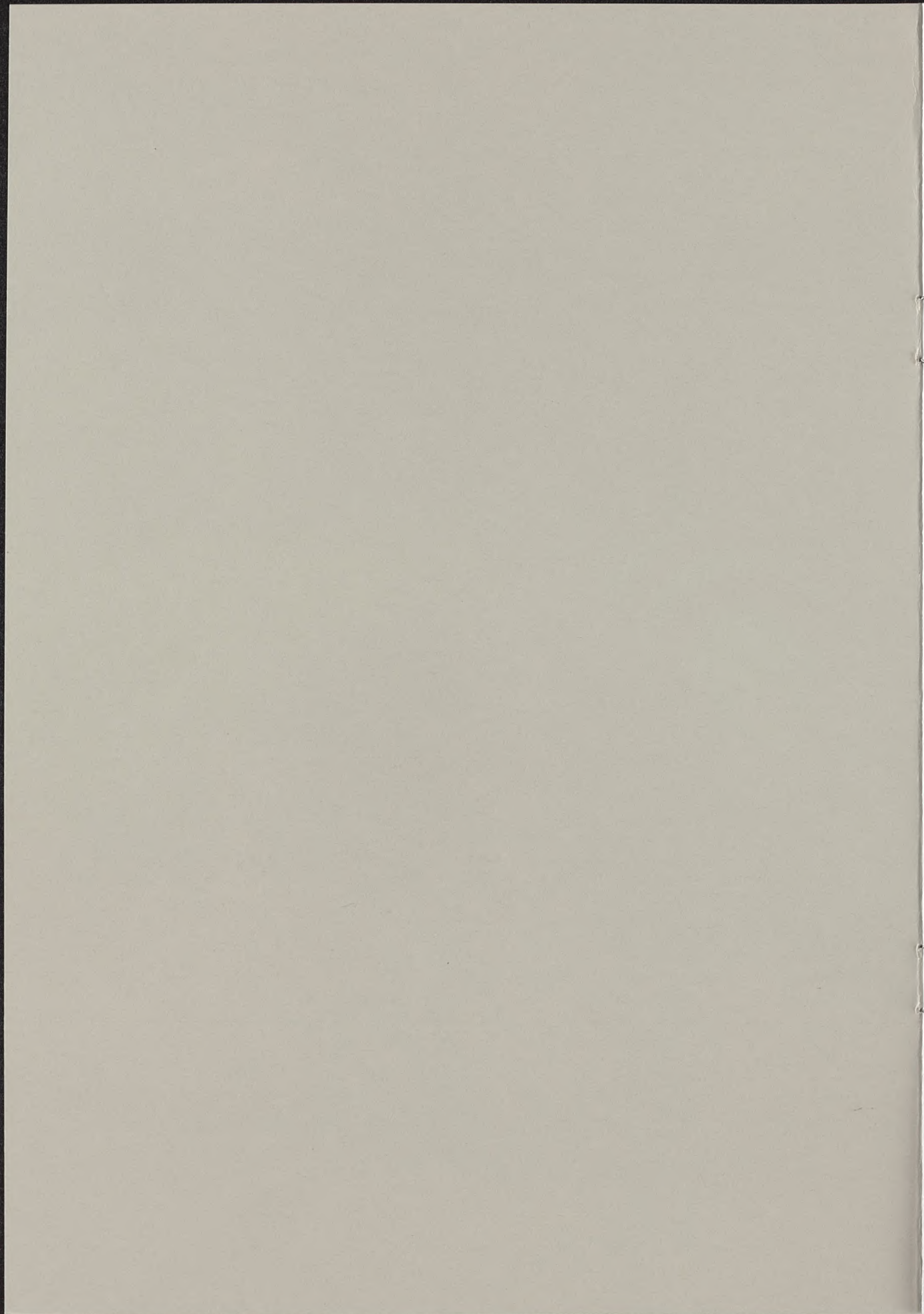
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**2001**

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ANNUAL REPORT

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Dear CFA Member,

Because of a new administration, the economic slowdown, and terrorism, CFA and the CFA Foundation faced many new challenges this past year. I believe we responded well to these challenges.

Though the new administration was less pro-consumer than the previous one, we gained direct access to its leadership including the President himself, his chief economic adviser, Cabinet secretaries, and the heads of regulatory agencies. This access was used, most notably, to persuade USDA to quickly reverse a decision not to test for Salmonella in school lunches. Also significant was the CPSC's decision, made by the outgoing chairman, to act on our petition to regulate baby bath seats.

On the Hill, we heard from, and communicated with, both Democratic and Republican leaders. It was the House Republicans that adopted our proposal on terrorism insurance. However, we worked with Democratic allies on many other issues. Before state legislators and regulators, we continued effective work on insurance, fringe banking, telecommunications, and electricity restructuring issues.

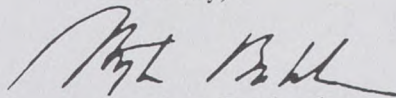
This past year, our public information and education efforts were unusually successful. Our new child safety website received more than three million hits in only eight months. Our radon public service announcements won an Emmy Award. And, we launched a social marketing campaign to persuade lower-income Americans to save that, by year's end, had involved hundreds of organizations in ten cities.

We are especially proud that, despite mid-year cutbacks from funders, we were still able to make available more than \$300,000 in grants to state and local organizations. And, we provided these groups with numerous opportunities to meet with us and each other.

We also made a commitment to improving working conditions for CFA staffers by renovating our offices, purchasing many new computers, upgrading our phone system, and providing new staff benefits.

Your support and encouragement helped make possible 2001 accomplishments. Our Chairman, Senator Howard Metzenbaum, CFA staffers, and I thank you for this backing and look forward to working with you in the coming year.

Sincerely,



Stephen Brobeck  
Executive director  
March 16, 2002

# Advocacy

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## Major Accomplishments

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**Antitrust Enforcement:** At the year's beginning, we issued a report, using Microsoft as a case example, that developed a consumer antitrust perspective for the new information-based economy. In the summer, we took the lead among consumer groups in criticizing Microsoft's new XP software, issuing a study and writing to the FCC. At year's end, we led consumer opposition to weak remedies for Microsoft's antitrust violations, encouraging and assisting state attorneys-general to object to DOJ's proposed settlement. Subsequent opposition from several states caused Justice to reconsider their proposal.

**Automobile Sales and Service:** CFA organized a coalition of consumer groups and credit unions to oppose new state franchise laws that would further restrict consumer choice of automobile sales and service options. At the year's outset, we released a study of the consumer costs of these franchise laws and a survey showing strong consumer opposition to these laws. We also communicated these research findings to the leadership of the FTC. Throughout the year, we mobilized consumer opposition to anti-consumer legislation in several states. And, we began to develop our own pro-consumer auto sales and service legislation.

**Banking Protections for the Less Affluent:** CFA continued to lead opposition to federal bankruptcy legislation written by creditors. Our work coordinating a consumer coalition, lobbying Congress, issuing studies reported on by the press, and communicating with editorial boards played a role in the inability of the House and Senate to agree on legislation. CFA also led federal and state opposition to efforts by finance companies to legalize payday loans. In Washington, we successfully encouraged the introduction of a House bill and lobbied the Comptroller of the Currency to stop banks from "renting" their national charters to payday lenders. In more than 20 states, we supported the work of local advocates who fought legislation that would legalize anti-consumer practices. That support included updating information about state legislation and working with USPIRG on a state report.

**Drinking Water Safety:** With national environmental and local consumer groups, CFA continued to monitor compliance with the Safe Drinking Water Act. But our top priority was working with these groups to persuade the Administration to issue a meaningful rule on arsenic in drinking water. These efforts included meeting with top EPA officials and encouragement of congressional leaders to urge EPA to act. Our work helped persuade the Administration to issue an adequate rule.

**E-Commerce Protections:** CFA continued to work with other consumer groups on e-commerce issues involving the implementation of the children's online privacy law, specifically, the granting of safe harbors. And, we took the lead in working with the FTC to ensure adequate alternative dispute resolution mechanisms related to international e-commerce.

**Electricity Consumer Protections:** Other consumer groups looked to CFA for expertise on controversial restructuring issues. We issued an analysis that was widely reported on by the press and communicated this analysis to policymakers, consumer-owned utilities, and advocates in many states. When California's electricity system imploded, we urged FERC to take action, which it did belatedly. With environmental groups, we unsuccessfully challenged DOE's rollback of a rule on central air conditioning standards.

**Energy Prices:** When oil prices were high, we prepared a study faulting oil companies for restricting refinery capacity, then communicated these findings to the public through extensive press coverage and to policymakers through Senate testimony and a meeting with the FTC chairman. Our analysis helped make it more difficult for a concentrated industry to justify such large profit margins.

**Food Affordability:** CFA continued to lead consumer opposition to federal price supports for sugar, peanuts, and milk. We prepared consumer impact analyses, gave congressional testimony, lobbied congressional offices, and worked with coalition members. While failing to sharply curtail these subsidies, we did help persuade Congress to reject more generous dairy price supports. And, we successfully worked with Nebraska opponents of that state joining the anti-consumer Southern dairy compact. CFA also opposed agribusiness mergers and supported key farm bill provisions designed to promote agricultural competition and ensure the survival of family farms.

**Food Safety:** CFA initiated the successful effort that persuaded USDA to drop its proposal to stop testing school lunch ground beef for Salmonella, thereby preserving this protection we had secured from the previous Administration. Early in the Bush Administration, CFA developed an excellent working relationship with the new leaders at USDA, only to see the Department move away from its concern about food safety after September 11. With the Center for Science in the Public Interest and as coordinator of the Safe Food Coalition, CFA took the lead on many food safety issues including supporting Senator Harkin's failed amendment to the 2002 agriculture appropriations act to give USDA specific authority to enforce limits on pathogens in raw meat and poultry products; preventing Congress from repealing the 35-year prohibition on shipping state-inspected meat across state lines; supporting Senator Durbin's unsuccessful effort to strengthen food safety provisions in the bioterrorism legislation; working with Representative Obey to increase funding for food safety protections on imported food; and making progress in increasing support for a unified food safety system. On genetically-engineered foods, we released a major report on needed regulatory protections and communicated these recommendations to USDA, FDA, and Congress.

**Health Care:** Most of our efforts in this area focused on the Prescription Drug User Fee Act, which Congress must reauthorize in 2002. On this issue, we built and coordinated a consumer/patient coalition, communicated our views to top FDA officials at hearings and in meetings, and urged Congress through testimony and lobbying to pass effective legislation. CFA also played a lead role in mobilizing consumer and patient groups in support for bipartisan legislation that would lower the overall cost of prescription drugs by bringing lower-cost generic drugs to market more quickly.

**Insurance Protections:** Throughout the year, CFA led opposition to anti-consumer federal chartering legislation and to related efforts by regulators to weaken state consumer protections. Our communications with these regulators, their governors, state legislators, and members of Congress intensified debate on the industry proposals but failed to slow their progress appreciably. After September 11, however, our highly visible opposition to industry-backed bailout legislation was more successful, helping convince House leaders to support the approach we developed. At year's end, the Senate had not passed legislation. CFA also took the lead on numerous other insurance issues including the use of credit scores by insurance underwriters, insurance company demutualization, nursing home liability, credit insurance, disability insurance, homeowners insurance, and auto insurance. On the last issue, we issued a report evaluating the effectiveness of regulation by different states that the industry devoted considerable resources trying unsuccessfully to discredit.

**Investor Protections:** CFA continued to take the lead among consumer groups on a broad array of legislative and regulatory investor issues including workplace retirement plan advice, security analyst conflicts of interest, SEC funding, international accounting standards for stock options, SRO trading rules, and suitability requirements for online stock trading. Although we were not able to prevent House passage of a bill that would promote biased advice to retirement plan participants, we did help to build Senate support for a more pro-investor approach. We were also influential in making the case for stronger rules governing securities analyst conflicts which have since been proposed.

**Product Safety:** CFA continued as the leading consumer advocate on child safety issues before the CPSC. Most significantly, we persuaded this agency to approve our petition on baby bath seats and to take action on the many recall hotlines that a CFA report revealed were inoperative. We also represented the consumer interest in discussions of standards for bassinets and cradles, for cribs and playpens, and for changing tables. In addition, we filed a successful complaint with the FTC against a deceptive bunk bed ad. With the Violence Policy Center, CFA took the lead in trying to persuade Congress to pass legislation closing the gun show loophole. That advocacy included coalition coordination, grassroots mobilization, and congressional lobbying. In the final days of the session, the Senate Majority leader agreed to allow a vote on this legislation in early 2002.

**Telecommunications Protections:** With Consumers Union, CFA continued to represent the consumer interest on many structural telecommunications issues. To advance digital democracy, we worked with consumer groups in several states. To help ensure that local phone companies wishing to offer long-distance services also permitted local service competition, we testified before regulators in five states. To oppose FCC proposals to relax media ownership rules, we submitted comments to and spoke with leaders at the agency. At year's end, with congressional legislation stalled, FCC rulemakings represented the greatest consumer policy challenge.

## Strategies

CFA pursued several strategies in advocating more than 50 issues considered by Congress, federal regulatory agencies, federal courts, state and local legislative bodies, and state regulatory agencies. These strategies included legislative and regulatory lobbying, coalition building and grassroots networking, advocacy-related research, and press outreach.

### 1. Legislative and Regulatory Advocacy

CFA's principal lobbying strategy was communicating information and viewpoints to members of Congress and other legislative bodies, their staffers, and regulators. Most of these communications took place in letters, individual conversations, and meetings. Their extent is suggested by the number of testimonies, comments, and petitions submitted to legislative committees or regulatory agencies, and court-related actions.

Month	Committee/Agency	CFA Rep	Issue
January	CPSC	Fise	Attorney standards
February	U.S. Appeals Court	Fise, others	Tobacco disclosures
March	Senate Commerce	Cooper, CU	Digital TV
	CPSC	Fise, others	Export safety
	House Energy/Commerce	Cooper	Airline mergers
	House Energy/Commerce	Cooper	Electricity regulation
April	SEC	Roper	SRO rule changes
May	House Energy/Commerce	Plunkett	FDA modernization
	House Appropriations	Foreman	Food safety
	FERC	Cooper, others	Electricity regulation
	FDA	Foreman	GE foods
June	FERC	Cooper	Electricity prices
	House Financial Services	Hunter	Insurance regulation
	CPSC	Fise	Child product recalls
July	Senate Agriculture	Jaeger	Sugar prices
August	House Financial Services	Hunter	Insurance regulation
	DOJ/FBI	Peschin	Background checks
	House Financial Services	Roper, others	Analyst conflicts
September	USDA	Jaeger	Meat safety
	Senate Commerce	Cooper	Airline finances
October	Senate Banking	Hunter	Terrorism insurance
	Senate Commerce	Hunter, Plunkett	Terrorism insurance
December	FTC	Jaeger	Nestle merger
	FDA	Plunkett	Drug User Fee Act

## 2. Coalition Building

CFA's unique character as a federation of 300 national, state, and local organizations provided opportunities to build and maintain national coalitions on federal and state policy issues. We played a key role in maintaining coalitions on Microsoft remedies, auto sales and service, consumer bankruptcy, payday lending, food safety, prescription drug regulation, federal insurance chartering, firearm safety, and digital democracy. We worked especially closely with state and local groups on auto sales and service, payday lending, firearm safety, and digital democracy.

## 3. Public Education: The Press

In addition to reacting to hundreds of stories, CFA frequently made news. In 2001 we generated 40 stories that were reported on by the national press. Also, we worked with other groups in organizing press conferences that led to additional stories. And, we placed a number of op-ed essays and letters to the editor.

Publication	Author	Issue
<i>Dallas Business Journal</i>	Cooper, CU	Airline merger
<i>Washington Post</i>	Brobeck	Bush economic summit
<i>New York Times</i>	Jaeger	Farm subsidies
<i>National Underwriter</i>	Hunter	Insurance regulators
<i>Public Utilities Fortnightly</i>	Cooper	Electricity regulation
<i>Washington Post</i>	Cooper	Cable rates
<i>Miami Herald</i>	Metzenbaum	Judicial nominees
<i>USA Today</i>	Peschin	Gun shows

## 4. Public Education: Research

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

<b>General</b>	<i>CFA's Congressional Voting Record</i> (Gordon, Roper) <i>Annual NACAA/CFA Consumer Complaint Survey</i> (Fox, NACAA)
<b>Antitrust</b>	<i>Antitrust as Consumer Protection in the New Economy: Overview of Lessons from the Microsoft Case</i> (Cooper) <i>Windows XP/.Net: Microsoft's Expanding Monopoly</i> (Cooper)



- Automobiles**      *Car Purchase Experience: ORC Survey* (Brobeck)  
*A Roadblock on the Information Superhighway: Anticompetitive Restrictions on Automotive Markets* (Cooper)
- Banking**      *Holiday Spending: ORC Survey* (Brobeck, CUNA)  
*Rent-A-Bank Payday Lending: How Banks Help Payday Lenders Evade State Consumer Protections* (Fox, USPIRG)  
*Credit Card Issuers Aggressively Expand Marketing and Lines of Credit* (Plunkett, Brobeck)  
*The Wealth of American Families and Individuals: ORC Survey* (Brobeck)  
*Households with High Levels of Assets* (Montalto)
- Electricity**      *Electricity Deregulation and Consumers: Lessons from a Hot Spring and a Cool Summer* (Cooper)
- Energy**      *The Missing Link Between Tax Cuts and Rising Energy Prices is Fairness* (Cooper)  
*Ending the Gasoline Price Spiral: Market Fundamentals for Consumer Friendly Policies to Stop the Wild Ride* (Cooper)
- Food**      *Breeding Distrust: An Assessment and Recommendations for Improving the Regulation of Plant Derived Genetically Modified Foods* (McGarity, Hansen)  
*The Senate Dairy Assistance Proposal: Consumer and Taxpayer Impacts* (Jaeger)
- Insurance**      *Why Not the Best: The Most Effective Auto Regulation in the Nation* (Hunter)  
*Credit Insurance Overcharges Hit \$2.5 Billion Annually* (Hunt, Hunter, CEJ)  
*Term Life Insurance on the Internet: An Evaluation of Online Quotes* (Hunter, Hunt)
- Product Safety**      *Report on CPSC Product Recall Information* (Fise, Winn)
- Telecommunications**      *Florida Consumers Need Real Local Phone Competition: Fair Access to Monopoly Wires is the Key* (Cooper)  
*Technological, Economic, Civic, and Political Bases of Local Activism in the Global New Economy: The Role of Localities and States in Telecommunications Regulation* (Cooper)

# *Member Services*

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## Conferences

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The most important CFA meetings were built around Consumer Assembly 2001, the nation's largest annual consumer conference. The nearly 300 persons in attendance heard speakers including White House Economic Adviser Larry Lindsey, Senator John McCain, Senator Dick Durbin, Representative John Conyers, political commentator Norm Ornstein, pollster Celinda Lake, and others address issues related to the theme of public policy challenges in the 21st century.

During this week, representatives from CFA member groups conducted the business of the federation. Members of 14 policy subcommittees met to review past policies and recommend new ones. These recommendations were submitted to and voted on at the Annual Meeting, where Board members were also elected.

To address specific issues more thoroughly, CFA organized three issues conferences. In April, more than 200 persons heard USDA Secretary Ann Veneman, FDA Administrator Joseph Levitt, Senator Tom Harkin, Representative Rosa DeLauro, and others discuss food safety and nutrition issues at CFA's food policy conference. In October, 125 persons heard FERC Chairman Pat Wood and others address consumer telecommunications, electricity, and natural gas issues at CFA's 19th annual utility conference. In November, 200 persons heard Senator Paul Sarbanes, SEC Chairman Harvey Pitt, and others discuss banking, insurance, and investment issues at CFA's 17th annual financial services conference.

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## Publications

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CFA member organizations received the following publications.

- Eight issues of CFA's newsletter, CFAnews, which reports consumer news and advocacy.
- The 2001 policy resolutions adopted at CFA's Annual Meeting.
- The 2000 Congressional Voting Record, CFA's rating of congressional performance on consumer issues during the previous year.

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## State and Local Resource Center

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The CFA Foundation's State and Local Resource Center exists to strengthen state and local member groups by supplying them with information, technical assistance, and resources. With grants from Consumers Union's Colston Warne Fund and other sources, we provided state and local organizations with the following services.

- \$65,000 in organizational or emergency grants to thirteen organizations.
- \$242,950 in foundation or government-funded project grants to 35 organizations.
- Nearly \$30,000 in travel grants to attend conferences.
- A state and local listserv.
- Five conference calls that provided technical assistance on topics such as fundraising and membership development.
- A state and local website with information about state and local groups as well as many issues.
- Several mailings with information on resources and issues.
- One-on-one technical assistance to many groups plus responses to calls and e-mails from dozens of other groups.

# *CFA Foundation*

The CFA Foundation undertook many consumer research and education projects with assistance from foundation and government grants.

**Child Safety Website:** In June, CFAF launched a comprehensive child safety website ([www.safechild.net](http://www.safechild.net)). Focusing on children newborn through age 12, the website provides information for parents, professionals who interact with children, and child safety advocates. It includes 349 articles on topics ranging from child safety seats to traveling with children. Between June 2001 and February 2002, the website had more than 3 million hits. Nearly 1,800 subscribers to a website listserv receive monthly information updates.

**Consumer Literacy Consortium:** CFA continued managing this group of 25 leading consumer educators whose principal goal is the dissemination of 66 money-saving tips. During the year, an additional 100,000 pamphlets were distributed, bringing the six-year total to 1.4 million. In addition, information in the pamphlet was disseminated through dozens of websites. During the year, with assistance from the U.S. Consumer Information Center, the Consortium developed a related website with links to government websites containing information supplementing the 66 tips.

**Digital Democracy:** CFAF completed work on a two-year digital society project funded by The Ford Foundation. Working with Consumers Union, the Foundation researched and disseminated information about digital divide and open access issues to policymakers, the press, and community leaders. That dissemination included eight local digital society forums whose participants included leaders from community organizations, faith-based organizations, labor unions, community action agencies, academic institutions, senior groups, and government commissions and agencies.

**Energy Efficiency:** CFAF continued to receive support from EPA to increase public awareness of the financial, health, and environmental benefits of energy efficient products. The Foundation coordinated the work of 14 state and local groups who promoted energy efficiency in their communities. It also maintained an energy efficiency website and distributed a home energy efficiency brochure, a fact sheet for purchasers of home appliance and electronics, and a community leader kit.

**Environmental Tobacco Smoke PSAs:** Working with EPA and the American Medical Association, CFAF released the second wave of a national public service advertising campaign aimed at reducing children's exposure to secondhand smoke in their homes. This television, magazine, and bus shelter advertising targeted smoking parents of young children, urging them to smoke outdoors away from their children. In 2001, this PSA received \$5.1 million in donated media time.

**Firearm Safety:** With support from The Joyce Foundation, CFAF continued work on a national campaign aimed at regulating guns as consumer products. Working closely with other nonprofits, the Foundation developed and disseminated consumer information; trained ten state and local consumer groups to conduct local outreach; and created a national coalition of more than 100 organizations to undertake public education.

**Food Safety:** CFAF's Food Policy Institute completed work on genetically modified foods that was supported by the Rockefeller Foundation. That work included a 250-page analysis of GE food regulation, which examined how different countries regulate these foods. It also included support for consumer leaders from developing countries to participate in international meetings, including those of the Codex Alimentarius Commission.

**Homeownership:** With support from the Fannie Mae Foundation, CFAF began working with national and local housing organizations to develop homeownership initiatives within the America Saves campaign (see below). The Foundation also addressed a broad array of housing issues including credit scoring, predatory lending, and RESPA-TILA.

**Radon and Indoor Air Quality:** With support from EPA, the Foundation continued a multi-faceted project that included maintaining the Radon Fix-It Program, a toll-free information service for consumers concerned about high radon levels in their homes. Since 1994, this service has assisted more than 40,000 consumers. The project also awarded mini-grants to nine state and local consumer groups for increasing public awareness of air quality issues. This outreach targeted hospitals, health clinics, doctor's offices, and home day care centers who were encouraged to urge patients and clients to shield children from secondhand smoke exposure in their homes.

**Radon PSAs:** To increase public awareness of the health hazards of radon, and to encourage more home testing, CFAF and EPA developed and distributed national television public service advertisements. These PSAs feature real-life interviews that dramatize what homeowners know and do not know about radon. In 2001, the radon PSA received \$18.2 million in donated media time. Last year, the National Academy of Television, Arts, and Sciences gave its National Public Service Announcement Emmy Award to our ads.

**Wealth-Building In Lower-Income Households:** CFA continued to take the lead in organizing a national social marketing campaign to encourage and persuade lower-income Americans to save and build wealth. Supported by grants from The Ford Foundation, National Endowment for Financial Education, The Cleveland Foundation, and Geroge Gund Foundation, our Cleveland Saves demonstration project enrolled more than 1,300 Cleveland Savers, involved more than 2,000 in motivational workshops, and persuaded an estimated 10,000 area residents to save more effectively. By year's end, local savings campaigns were also being organized in Kansas City, Indianapolis, Charlotte, Gadsden County, Phoenix, Seattle, Philadelphia, Northern Wisconsin, and Milwaukee. To support these campaigns, with a grant from the Bank of America Foundation, we provided technical assistance, an organizing manual, advice from a national advisory committee, networking opportunities, publications, a data-base for savers, and seed grants (made possible by a grant from Provident Financial).

*CFA and CFA Foundation Finances*

An unexpected *cy pres* award and increased research and conference income contributed to a CFA surplus for the year. Grant cutbacks were largely responsible for a CFA Foundation deficit. For the two organizations, net assets grew modestly by \$47,000.

	CFA	CFAF
Income	\$1,056,861	\$2,766,728
Expenses	946,549	2,830,195
Net Assets*	\$741,150	\$607,335

\*Excludes deferred revenue committed to year 2002 expenses.



