

Bell Companies Profit at Consumers' Expense

Consumers have been overcharged and the Bell telephone companies have earned excessive profits as a result of liberal local rate hikes and other regulatory decisions in the four years since the breakup of AT&T, according to a report released December 30 by Consumer Federation of America (CFA).

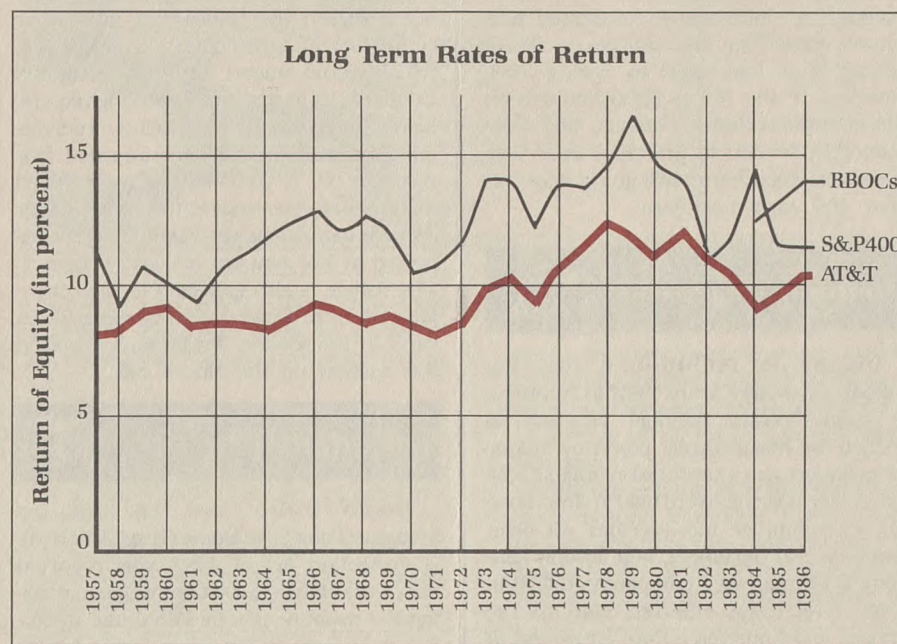
Entitled "Divestiture Plus Four: Take the Money and Run," the report shows how the Regional Bell Operating Companies (RBOC) have outearned the vast majority of large corporations as a result of excessive local rate increases and how they now seek to lock in these higher rates through proposals to reduce regulation.

According to the report, post-divestiture local rate hikes and regulatory decisions pushed local residential charges from about \$10.50 per month in January 1984 to about \$16 per month today.

Bells Outearn Major Corporations

As a result, the Bell companies have been outearning the vast majority of companies in the nation. As very large corporations based on monopoly franchises, however, they face far less risk than other companies, and one would, therefore, expect them to have lower rates of return.

"Had regulators allowed the Bell companies to earn no more than other large corporations, ratepayers would have saved over \$6 billion in the last three years," said Mark Cooper, CFA Research Director and author of the report.



Prior to divestiture, AT&T, which provided monopoly local service and long distance service, consistently earned between one and two percentage points less than other large corporations. Since divestiture, the RBOCs have been earning two to three percentage points more.

Underlying these earnings, according to the report, are sales growth and profit margins that dwarf those enjoyed by other large corporations.

To preserve their excessive earnings, many of the RBOCs are trying to lock in current

rates and gain automatic price escalators each year, regardless of how fast their costs are declining, the report warns. Their legislative and regulatory proposals would perpetuate the \$2 billion of excessive charges telephone users are currently paying each year and establish automatic rate increases that far exceed the historical trend for phone service.

More importantly, these new pricing proposals involve limitations on regulators' ability to evaluate phone company earnings. "The Bell companies' strategy is clear," the

report concludes. "To prevent regulators from going after these excessive earnings, the RBOCs want to take the money and run."

"Starting from a set of rates that are much too high, they are seeking to completely deregulate many services and to end rate of return regulation on the rest, thereby locking in excess profits."

"It is no surprise that just as regulators start realizing that consumers are paying \$2 billion a year too much in phone rates, the phone companies propose less regulation," Cooper said. "With these huge earnings excesses and mounting evidence of ratepayer abuse, it is not surprising to find the RBOCs desperately seeking to avoid regulatory scrutiny."

The report analyzes the effect on rates that two of these regulatory proposals—"social contract" and "price cap"—would have had if they had been in effect during the decade before divestiture. Taking into account estimates of historical trends for local rates, long distance rates, the Consumer Price Index, telecommunications productivity, and general productivity, the report concludes that consumers would have paid between 20 percent and 100 percent more in local and long distance charges.

"If the American people want to preserve one of our nation's best bargains—low cost phone service—they must pressure regulators to cut the fat out of phone rates," said CFA Legislative Director Gene Kimmelman. "If less regulation means continued overcharging for local phone service, then the only way to preserve this consumer bargain is through beefed up public oversight."

Senate Passes Credit Card Disclosure

Hours before adjourning for the year, the Senate passed by voice vote H.R. 515, the "Credit Card Cost Disclosure Act."

The House passed a different version of H.R. 515 on October 28 by a vote of 408-1. Before the bill can become law, differences between the two versions must be worked out after Congress returns in late January.

Both versions require credit card and charge card applications mailed to consumers to disclose the interest rate or rates; if the rate is variable, an explanation of how it will vary; the annual fee or any similar fee; and the grace period or a statement that there is no grace period. The Senate version also requires disclosure of the name of the balance calculation method.

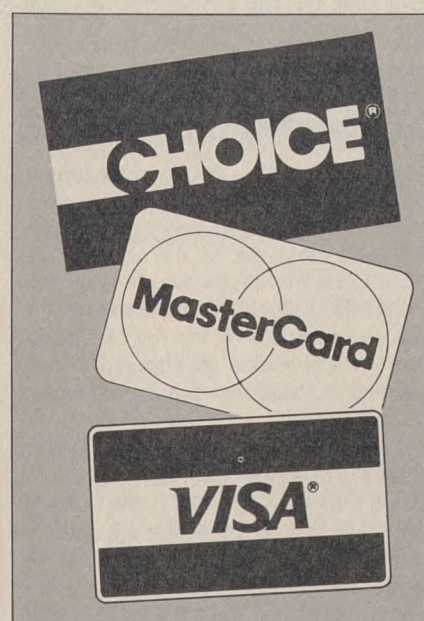
Both versions contain special provisions for applications contained in magazines or left on store counters ("take-ones"). Different procedures are also established for telephone solicitations where the card issuer

takes application information over the phone and does not require a written application. The two versions of the bill, however, have differences in their handling of these cases.

Both versions' disclosure requirements apply to all bankcards, such as Visa and MasterCard; to "retail" cards, such as those issued by gasoline companies and department stores; and to "charge" cards, such as American Express.

Both versions also contain language preempting stronger state disclosure laws. The House version prohibits any state from requiring the disclosure of additional terms, such as late fees or penalty charges, with card applications.

The Senate version is almost as sweeping, but contains an exception that allows states with stronger laws on the books as of December 2, 1987 to reenact their laws within two years. States with disclosure legislation through one house of the state



legislature by that date could complete their legislative process within the two-year period and thus maintain a stronger law without reenactment.

"Most of the differences between the two versions are minor or technical and should not prevent early passage of a disclosure law," said CFA Legislative Representative Alan Fox. "The sponsors of the bill, Rep. Charles Schumer (D-NY) and Sen. Christopher Dodd (D-CT), have moved this legislation forward quickly and skillfully. They share a commitment to see this process completed as soon as possible."

Fox called the provision preempting tougher state laws "disappointing," but added that, "even with that unwelcome provision, H.R. 515 is a solid piece of legislation. We should be able to learn very soon whether the uncompetitive credit card market can be made competitive by giving consumers the means to critically compare the competitors."

Congressional/Regulatory Update

Financial Services



Omnibus Banking Bill. P.L. 100-86, the Competitive Equality Banking Act of 1987, was signed by the President on August 10. Includes a strong check hold provision; a lifetime interest rate cap on all variable rate mortgage loans, including home equity loans; \$10.8 billion recapitalization of the FSLIC; a moratorium until March 1, 1988 on approval by federal regulatory agencies of new securities, real estate, and insurance powers for banks; and closing of the "non-bank bank loophole." The check hold provision will take effect September 1, 1988, and is to be completely phased in no later than September 1, 1990. In December, the Federal Reserve issued proposed regulations to implement the check-holds law. The comment period will last into early February.

Truth in Savings. H.R. 176, passed in the House by a voice vote June 29, sets disclosure requirements for advertisements of interest-bearing accounts. Action is expected in the Senate in Spring.

Credit Card Disclosure. H.R. 515, passed by the House October 28, sets minimum disclosure standards for credit card interest rates, fees, and other conditions in advertising, solicitations that contain application forms. An amendment to cap interest rates was defeated. A similar bill passed the Senate December 22. (See article, page 1.)

Home Equity Loan Consumer Protections. H.R. 3468 would include disclosure requirements and a variety of restrictions on the nature of home equity contracts, including a prohibition on lenders' making unilateral changes in contracts. H.R. 3011 would make home equity loans subject to the same disclosure requirements under the Truth in Lending Act as other mortgage products. Hearings have been held in the House Consumer Affairs Subcommittee and in the Senate Consumer Affairs Subcommittee. Action is expected this Spring in both Houses. In December, the Federal Reserve Board issued proposed new disclosure regulations. Comment period expires in early February.

Bank Powers/Community Reinvestment. Hearings were held in both Houses in December. Action is expected before the moratorium on approval by federal regulatory agencies of new securities, real estate, and insurance powers for banks ends March 1. Exact form of legislation remains unclear. (See related article, page 3.)

Financial Planners.—The House Subcommittee on Telecommunications, Finance, and Consumer Protection and the Senate Banking Committee are expected to hold hearings on financial planning abuses and the need for improved regulation. Hearing dates have not been set.

Telecommunications



Price Cap Regulation. FCC issued a notice of proposed rulemaking to replace rate-of-return regulation for dominant carriers (AT&T and Regional Bell Operating Companies) with price caps on charges for inter-state services. Order is expected this winter.

Fairness Doctrine. FCC repealed the fairness doctrine in August. Legislation to codify the doctrine, which requires that

broadcasters present all viewpoints on controversial issues, passed both Houses but was vetoed by the President. In October, the Senate Commerce Committee added a fairness doctrine amendment to the Budget Reconciliation Bill, but elimination of the amendment was made a condition of the President's signing the bill, and the amendment was deleted. Renewed efforts to codify the doctrine are expected in 1988.

Subscriber Line Charges. FCC recommended an increase in residential telephone subscriber line charges to \$3.50/month to go into effect by Spring 1988. Hearings in the House Subcommittee on Telecommunications, Finance, and Consumer Protection in March. Unless Congress acts, this charge will go up later this year and early next year.

Indoor Air Quality



Indoor Air Pollution. S. 1629, the Indoor Air Quality Act of 1987, to authorize a comprehensive national program to reduce the health threat posed by indoor air pollution, was introduced in August. Subcommittee hearings were held in November. No subcommittee mark-up has yet been scheduled. In December, Rep. Joseph Kennedy II introduced a companion bill, H.R. 3809, which was referred both to the Energy and Commerce Committee and to the Science, Space, and Technology Committee. No action yet scheduled.

Radon. S. 744, the Radon Program Development Act of 1987, which passed the Senate July 8, contains three-year authorization for federal grants and technical assistance to state programs for radon control in homes and schools. A similar bill, H.R. 2837, was approved by the House Transportation Subcommittee in July, and in November was the subject of a hearing in the Health and Environment Subcommittee. The hearing also addressed H.R. 3110, which would require standard setting by EPA for exposure to radon in indoor environments.

Passive Smoking. A two-year ban on smoking on commercial airline flights of two hours or less was signed into law in December as part of the 1988 Continuing Resolution. The ban will be effective within four months of enactment of the law.

Product/Food Safety



CPSC Reform. CPSC reauthorization bills introduced in both houses of Congress included provisions for agency reform. H.R. 3343 was voted out of the House Commerce, Consumer Protection, and Competitiveness Subcommittee November 18. S. 1882 was approved by the full Commerce Committee November 19. Dates for Senate floor action and House full committee action not yet set.

All-Terrain Vehicles. CPSC reached an agreement with the five manufacturers of ATVs in December to end the sale of three-wheeled models. (See related article, page 4.)

Lawn Darts. CPSC has begun rulemaking on lawn darts.

Small Parts. CPSC is expected to vote in late January on the petition filed jointly by CFA and the New York State Attorney General's Office requesting a more stringent small parts requirement for toys and other

products marketed for children three and younger.

Cigarette Lighters. CPSC began rulemaking in January to address child resistance in cigarette lighters.

Bunk Beds. CPSC delayed until the end of January, when the commission will schedule a vote, a decision on CFA's 1986 petition seeking promulgation of a mandatory standard for bunk beds.

Tropical Oils Labeling. Hearings have been held in the House (but not in the committee of jurisdiction) on H.R. 2148, which would amend the Food, Drug and Cosmetic Act to strengthen labeling requirements for tropical oils to include information that they are high in saturated fats. A similar bill, S. 1109, has been introduced in the Senate. Hearings in the Senate Labor and Human Resources Committee are expected in late January or early February. The Senate is also expected to hold hearings on more general food labeling issues early in the session. Progress is expected this session on the House bill.

Health Care



Home Health Care. H.R. 3436, the Medicare Long-Term Home Care Catastrophic Protection Act of 1987, was reported out of the House Rules Committee, bypassing the usual review by Ways and Means. It would provide long-term home health care for chronically ill Medicare and Medicaid recipients of all ages. Floor action on the bill is expected in late January or early February.

Catastrophic Health Care. H.R. 2470, the Medicare Catastrophic Health Care Bill, passed the House in July. A similar bill, S. 1127, the Medicare Catastrophic Loss Prevention Act of 1987, passed the Senate in October. These bills are designed to increase protection for the elderly against acute care expenses. Conferees have been appointed, but a conference date has not yet been set.

Employee Health Benefits. S. 1265, the Minimum Health Benefits for All Workers Act of 1987, mandates employer-provided minimum health benefits for employees and their families and preempts state laws that regulate health insurance policies covered by the Employee Retirement Income Security Act of 1974 (ERISA). Review by the Senate Labor and Human Resources Committee is expected in February.

Medicaid Infant Mortality Amendments. Portions of S. 422, a bill to aid low-income pregnant women and children under five, were included in the Budget Reconciliation Act.

Drug Sales by Physicians. An amended version of H.R. 2168, which would appropriately restrict physicians' ability to sell drugs to patients for a profit, was passed out of the House Energy and Commerce Committee in June and is awaiting floor action.

Transportation



Airline Service. The Senate passed S. 1485, requiring disclosure by airlines of on-time performance and other service-related information to the public. The House passed a related bill, H.R. 3051, which contained additional, more stringent provisions

including portions of H.R. 2491, a bill to protect consumers from the financial risks and inconvenience posed by airline bankruptcies. Conferees have been appointed, but no conference date has been set. DOT issued less stringent service-related disclosure requirements for airlines and a prohibition of flight delays for reasons other than mechanical problems.

Rail Rates. The House Subcommittee on Transportation, Tourism, and Hazardous Materials voted out a bill in November to reform the Interstate Commerce Commission's implementation of the Staggers Act. Action on H.R. 1392 is expected in full committee in late Winter or early Spring. The Senate is working on a compromise bill to bring to mark-up in the Senate Commerce Committee in late Winter or early Spring.

Alternate Fuels. S. 1518, the "methanol bill," passed out of the Consumer Subcommittee of the Senate Commerce Committee, provides incentives to automobile manufacturers to provide for use of alternative fuels.

Truck and Bus Safety. S. 861, the Truck and Bus Safety Act, to be voted on in the full Senate this session, requires DOT to initiate rulemaking on safety-related issues. S. 747, the Motor Carrier Administration Bill, would create an organization within DOT to focus on the issues in S. 861.

Energy and Utilities



Electric Utility Regulation. FERC is contemplating major changes in its regulation of electric utilities. The House Subcommittee on Energy and Power held a hearing in September on the need for reform in regulation of PURPA. Comments will be filed with FERC on PURPA in early Spring. Intense Congressional scrutiny of FERC's decision is expected.

Gas Deregulation. FERC has issued Rule 500 on natural gas transportation. Congressional hearings on natural gas bypass are expected this session.

Utility Taxation. Efforts are expected this session to have return to consumers of excess taxes collected by utilities and telephone companies from ratepayers under the old tax code included as a provision of the tax correction bill. Hearings in House Ways and Means were held in December.

Publicly Owned Utilities. A provision in the Budget Reconciliation Act restricted the use of tax-exempt bonds by communities that wish to acquire private gas or electric company facilities.

Miscellaneous

Etc.

Malt Beverage Interbrand Competition Act. As originally written, S. 567 would have allowed beer wholesalers exclusive territorial monopolies throughout the nation. Amended in November by a Senate Judiciary subcommittee to require tough anti-alcohol labeling and to confirm current law for exclusive beer territory agreements. Passed on to full committee for consideration.

Product Liability. H.R. 1115, the Uniform Product Safety Act of 1987, would establish federal standards for defective products litigation, preempting stronger

(Continued, page 3)

CFA Consumer Guide Rates Airlines

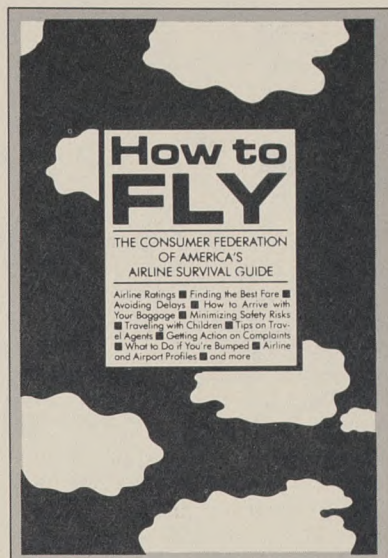
Southwest, Braniff, and Midwest airlines offer the least expensive fares, while American, United, and Pacific Southwest charge the highest prices, according to CFA's new consumer airline guide released in December.

Entitled *How to FLY: The Consumer Federation of America's Airline Survival Guide*, the 208-page book represents the first comprehensive guide to United States air travel.

The 17 chapters cover every aspect of flying on domestic routes, from dealing with a travel agent, to buying a ticket, to coping with delays, to traveling with young children. They include overall ratings of fares and customer service (see tables), airline-by-airline fare comparisons, airline ratings of three specific aspects of service, and dozens of tips for travelers.

Principal author Stephen Brobeck, CFA Executive Director, said the guide was written because "airline travel is more complicated than it has ever been. On popular routes, hundreds of fares may be available. Furthermore, the quality of service may vary considerably from airline to airline, and even from flight to flight. *How to FLY* explains how to get the lowest fares and best service."

"For years the airline industry has taken advantage of the free marketplace at the expense of the traveling public," said co-author Jack Gillis, CFA Public Affairs Director and author of *The Car Book*. "The infor-



FARE RATINGS		
Airline	Number of Passengers	Percentage
SERVICE RATINGS		
Complaints per 100,000 Passengers		
Airline	Complaints per 100,000 Passengers	Rating
Alaska	0.85	Good
America West	1.38	Fair
American	1.88	Fair
Braniff	2.71	Poor
Continental	13.47	Very Poor
Delta	0.93	Good
Eastern	4.65	Very Poor
Hawaiian	3.70	Poor
Midway	2.12	Poor
Northwest	5.83	Very Poor
PSA	1.13	Fair
Pan American	5.74	Very Poor
Piedmont	1.41	Fair
Southwest	0.62	Good
TWA	5.71	Very Poor
United	3.47	Poor
USAir	1.70	Fair

mation in *How to FLY* gives consumers a fighting chance to make an intelligent purchase in this complex marketplace," he said.

Among the book's special features:

- ratings of the airlines on fares and service;
- detailed profiles of the 18 largest U.S. airlines;
- profiles of the nation's 36 busiest airports, including information on a variety of features and services;

- nine tables comparing special features of the largest airlines, including senior discounts, frequent flyer programs, load factors, seating comfort, baggage limits, special meals, and disabled passenger policies;
- listings of all major carriers serving each state;
- tips on such things as selecting a travel agent, locating convenient flights, finding the least expensive fare, reserving and purchasing tickets, coping with delays and cancellations, maximizing seating comfort, trav-

eling with children, ordering special meals, avoiding airplane cabin hazards, and minimizing safety risk; and

- a section explaining how to resolve complaints against airlines.

Brobeck noted at a Washington, D.C. news conference to release the book that *How to FLY* clearly demonstrates the need for federal airline passenger protections.

"The U.S. Department of Transportation's release of information on complaints, overbooking, and delays represents an important first step," he said. "Enactment of currently pending Congressional legislation requiring airline disclosure of more extensive service data would be even more helpful. But we believe this information will be of limited value unless there is real competition on all well-traveled routes. This will occur only if the airlines are forced to divest themselves of most recent acquisitions."

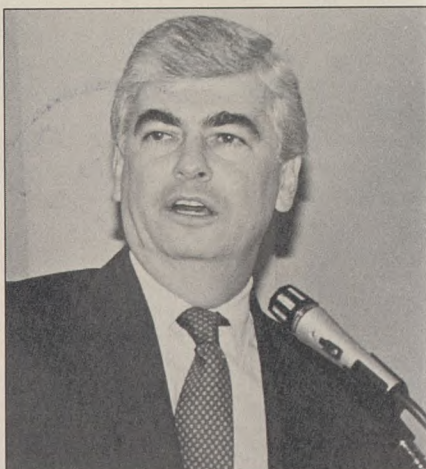
The airline guide was researched and written over a two-year period with the help of CFA staffers, interns, and volunteers. Its information, however, was updated just this Fall.

Copies of *How to FLY* are available only from the CFA offices. The consumer guide can be obtained by sending a check for \$7.95 (which includes postage and handling) to CFA's Airline Guide, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

Financial Services Restructuring Debated

Some form of financial restructuring is inevitable, but even insiders don't yet know what form it will take, according to Sen. Christopher Dodd (D-CT), Chairman of the Senate Banking Committee's Consumer Subcommittee. Sen. Dodd made his remarks as a keynote speaker at CFA's financial services conference in December.

The Senate Banking Committee, which is currently studying the issue of whether banks should be allowed into other financial services and, conversely, whether other financial entities ought to be allowed into banking, is divided between those who oppose any changes, those who support any



Sen. Dodd... "careful implementation is necessary to ensure that consumers are protected."

deregulation, and those who support some controlled mixing of banking and other financial services, Sen. Dodd said.

He said he believes some form of change has been made both inevitable and desirable by technological advances and by the United States' loss of market share in financial services worldwide. But Sen. Dodd cautioned that changes must be carefully implemented to ensure that a variety of principles of consumer protection are incorporated.

"Just to talk about leveling the playing field by allowing banks into other services without seriously and simultaneously going ahead with these other concerns creates a serious danger," Dodd said.

A Regulator's Perspective

Robert Clarke, Comptroller of the Currency, said he believes that banks should

not be excluded from any financial market as long as they can maintain safety and soundness and that consumers will be the ultimate beneficiaries. "The cost benefits of competition are clear, and I believe they are compelling," he said.

"I believe very strongly that the role of community banks should be preserved," Clarke said. "If we don't do something to make the banks more competitive, they are going to become less and less important and, I believe, weaker."

Rep. Bruce Morrison (D-CT) told the conference he is concerned that, while consumers have been vocal on a variety of specific issues, the consumer voice has not been adequately heard on the "bigger questions" of whether the system is workable and safe.

"The decision [about restructuring] ought not to be a decision about how much business investment companies ought to have and how much business banks ought to have," Rep. Morrison said.

Consumer Agenda Emerges

The beginnings of a consumer agenda on restructuring emerged in a variety of sessions of the conference.

Alan Fox, CFA Legislative Representative, said that the three restructuring bills currently under consideration do not address consumer concerns. "This is not to say that consumers ought to reject restructuring proposals out of hand," he said. "We need to make sure benefits promised to consumers are explicitly provided for, and restructuring is done in a way that more or less guarantees that benefits will take place."

Stephen Brobeck, CFA Executive Director, warned that even without restructuring, the financial system may not be as safe as consumers have been led to believe. Brobeck called for "better regulation and far more effective saver and investor protection."

The conference was attended by consumer advocates and representatives of industry and government. It included sessions on low-income issues, state regulation of insurance and banking, the risks of consumer indebtedness, the risks to consumer savings, and financial planning regulation.

Congressional/Regulatory Update

(Continued from page 2)

state laws and limiting victims' rights. Voted out of House Consumer Subcommittee in December. Action by the full House Energy and Commerce Committee is expected in late January or early February.

FTC Oversight of the Insurance Industry. S. 677, the FTC reauthorization bill, was amended to include a provision allowing the FTC to conduct economic studies of the insurance industry. The bill is now in conference.

Vertical Price-Fixing. In February, S. 430 was introduced to amend the Sherman Act to codify the principal that vertical price-fixing is per se illegal and to clarify the evidentiary standard for establishing the existence of vertical price-fixing. A hearing on the bill was held in the Judiciary Committee in February. It was reported out of committee in August.

CFAnews



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World Consumer Movement Momentum Grows

By Rhoda Karpatkin

Last September, over 600 consumer advocates from 66 countries met in Madrid, Spain to discuss consumer policies, to express their solidarity, and to chart a course for the world consumer movement over the next three years. The result was the most forceful and effective manifestation to date of the growth of the International Organization of Consumers Unions (IOCU).

Today IOCU is a federation of 169 member organizations from 58 countries spanning every continent. These groups range from the largest product testing organizations to the smallest activist organizations to national federations like the Consumer Federation of America. IOCU's diverse agenda reflects the diversity of its membership.

IOCU's concerns with product safety focus largely on the worldwide marketing of pharmaceuticals and pesticides and with the global trade in hazardous products. IOCU, by organizing and supporting Health Action International (HAI), a global network of consumer and other organizations, has played a major role in fighting the marketing of unsafe, unnecessary, and ineffective drugs in countries where consumer protection codes are weak or non-existent.

It has succeeded, for example, in pressuring Ciba-Geigy to remove from the market Clotrimazole, an anti-diarrhea drug that has caused serious damage to consumers. Through the Pesticide Action Network, IOCU has campaigned against hazardous pesticides and for alternatives to unsafe pesticides.

IOCU has also initiated other health and safety networks. Following the Bhopal disaster, it formed a Hazardous Technology Working Group and later became the coordinator of the International Coalition for Justice in Bhopal. It maintains Consumer Interpol, an international warning system about unsafe products with 105 correspondents in 47 countries. And it founded AGHAST (Action Groups to Halt Advertising and Sponsorship of Tobacco) to serve as an information clearinghouse.

IOCU supports and coordinates the information and education work of its members, especially in the areas of product testing. It has organized a worldwide Consumer Educators Network, whose 80 participants around the world regularly share materials, resources, and teaching approaches. It established a Book Link, providing coordination and technical support to consumer organizations engaged in book publishing.

IOCU's concerns are not only with products, but with economic issues as well. IOCU believes that consumer rights include the right to have basic needs met: food, housing, health care.

While it's important for IOCU to speak effectively on a global basis, where it speaks is important, too. IOCU spoke clearly and successfully at the U.N., through the voice of Esther Peterson. The result was the adoption of the ground-breaking U.N. Guidelines for Consumer Protection in 1985 by the U.N. General Assembly. Still new, the Guide-



INTERNATIONAL PERSPECTIVE

lines have been a rallying cry for consumer organizations in countries with weak protection, and a guide for governments that want to enact suitable legislation. IOCU also speaks forcefully and effectively at the World Health Assembly, where our network, HAI, counters the influence of transnational pharmaceutical companies.

IOCU speaks not only through its members, but through its Central Office in The Hague, and through its Regional Offices for Asia and the Pacific in Penang, Malaysia and for Latin America and the Caribbean in Montevideo, Uruguay. With the aid of the latter office, consumer organizations are growing in Latin America, and IOCU has become a bilingual organization, now speaking and publishing in both English and Spanish.

IOCU's current agenda is a full one. The policy directions were laid out at the Madrid World Congress, and all three offices will implement them: The U.N. Guidelines must

be implemented, and an effective Code of Conduct for transnational corporations must be adopted by the U.N. Moreover, the U.N. Consolidated List of Products that have been banned or restricted in each country must be widely disseminated. The global trade in unsafe, ineffective, inappropriate, or unnecessary drugs and other products must be countered. The consumer movement in developing countries must be fostered, and IOCU's offices will support and advance those efforts.

Newly emerging consumer issues must be monitored, and the consumer viewpoint advocated. These include, for example, the destruction of the ozone layer, biotechnological developments, and Third World debt.

IOCU is strong because it draws on the various strengths of its many members. CFA and other U.S. groups have much to contribute to the world consumer movement and should participate more actively in it. We need to monitor how global developments impact on American consumers and how American developments affect consumers in other countries. U.S. organizations like CFA can benefit from and contribute to IOCU's research and programs. They can contribute to the solidarity of the world consumer movement. Now is the time to get more involved, and to chart a course for global participation that will enrich our own activities and those of the world consumer movement.

Rhoda Karpatkin is Executive Director of Consumers Union and President of IOCU.

CPSC Takes Weak Action on All-Terrain Vehicles

The U.S. Consumer Product Safety Commission (CPSC) and the Department of Justice (DOJ) reached an agreement at the end of December with manufacturers of all-terrain vehicles (ATVs) to halt production and sales of three-wheel ATVs, models on which manufacturers had already planned to cease production. The agreement does not affect sales of the four-wheeled models, which have also been declared an "imminent hazard" by the CPSC.

Since 1982, more than 900 consumers have died and more than 330,000 have been treated in hospital emergency rooms as a result of ATV-related accidents. In the first five months of 1987, reports of 31 ATV deaths were received by the CPSC; 45 percent involved four-wheel ATVs.

CFA Product Safety Director Mary Ellen Fise called the CPSC-DOJ settlement with ATV manufacturers "one of the worst decisions in the history of the CPSC." Rep. James J. Florio (D-NJ), chairman of the House subcommittee with oversight of the CPSC, said, "This isn't so much a settlement as a sellout." And Rep. Doug Barnard (D-GA), calling the settlement "woefully deficient . . . less than half a loaf," promised to investigate how the settlement was reached.

In addition to the immediate halt on sale of three-wheel models, the manufacturers agreed to repurchase three-wheel models from dealer inventories; ban high-powered ATV sales to or use by children under 12; offer driver training classes to those who have purchased ATVs within the past 12 months; and provide a variety of warnings about ATV hazards to consumers.

Fise said that, based on the government's lawsuit alleging that ATVs are imminently and unreasonably hazardous and that consumers were misled about the safety of these vehicles, any settlement should have required manufacturers to provide refunds to ATV owners.

"Exempting four-wheeled ATVs from the ban creates the false impression that four-wheeled ATVs are safe, and warnings aren't enough to counter this impression," Fise said. "Given the danger of death and injury posed by the four-wheeled models, this may be the worst effect of the settlement."

Instead, the consent decree states, "defendants agree to attempt in good faith to reach agreement on voluntary standards" for four-wheel models. "The time for good faith attempts has passed," Fise said. "CPSC gave the ATV industry that opportunity in 1985 when it began addressing ATV hazards, inviting the public to develop an ATV voluntary standard. More than two-and-a-half years later, no adequate standard exists."

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