



news news news news news

consumer federation of america

Washington, D.C.

July, 1974

Consumer Protection Agency bill fighting for life in Senate

The Consumer Protection Agency is currently fighting for its life on the floor of the United States Senate. At press time, a filibuster was virtually assured and a successful cloture bid depended on the votes of 15 uncommitted Senators.

Thus, a thirteen-year struggle to give consumers a voice within the decision-making machinery of the government comes to rest on the consciences of 15 men. And the battle to influence those consciences has resulted in one of the most intense lobbying efforts in Congressional history.

Opposition has been spearheaded by the Chamber of Commerce, the National Association of Manufacturers and a dozen major U.S. com-

panies and associations. They have resorted to distortion, misrepresentation and deception in presenting their case. For example, in a recent NAM memorandum to the Washington representatives of its member firms, the CPA was attributed with powers far beyond the scope of the actual bill. Senator Frank Moss (D-Utah) commented that the NAM memo makes the CPA "sound like the Gestapo." He further charged that the NAM "used half-truths, innuendos and outright untruths in explaining the bill. . . . But that Gulag Archipelago which the NAM describes in its memo does not resemble the bill

which the Senate has before it."

There is no way to accurately estimate the time and money budgeted by industry to combat CPA. The flow of anti-CPA mail to Congressional offices, however, indicates a fortune in postage alone.

Consumer forces have formed a united front to combat industry pressure. Over 130 national, state and local consumer groups have joined with labor unions, community organizations, other national organizations and public citizens to form a coalition in support of a Consumer Protection Agency. The Coalition contacted every Senator both by mail and in

person and constituent support was mobilized by letter writing campaigns, petition drives and a day of national picketing against those firms who were leading the opposition.

Endorsements for the CPA bill have come from the U.S. Conference of Mayors, the National Association of Attorneys General, the newly formed National Association of Consumer Protection Administrators, and from 32 governors.

If the Senate filibuster has not ended upon your receipt of this newsletter, we urge you to write your Senator immediately asking him to vote for cloture.

The meat price mess

Who's been throwing the bull?

The significantly lower cattle prices of the first six months of 1974 have not resulted in lower prices at the supermarket. The wide difference in wholesale to retail prices is caused by profiteering corporate middlemen who process, market and retail beef.

During the past nine months, America's cattle feeding industry has experienced the most significant losses in its history. Cattlemen are getting about 41 cents per pound for choice steers—18 per cent less than last January and 30 to 40 per cent less than a year ago. They are losing from 80-160 dollars per head.

The vital issue, however, is the fact that although the marketable supplies of beef and pork are much greater than anticipated and prices across the entire animal-protein complex are severely depressed, supermarkets are not passing these lower prices on to consumers.

In a news release of May 21, 1974, the United States Department of Agriculture reported the consumer price index showed that "...all food purchased in grocery stores declined .7 per cent." **Under Secretary of Agriculture J. Phil Campbell pointed out that not all of the decrease in farm prices have been passed on the consumers because margins of food retailers and processors have widened substantially.** "The overall

spread (difference in what the farmer gets per pound and what the consumer pays per pound) in March this year was 24 per cent higher than a year earlier, due to particularly large increases in spreads for beef, pork. . . . Spreads widened further in April as farm prices dropped sharply," Campbell noted.

Consumers Have No Voice

Lowered retail prices are of paramount concern to consumers. But consumers have little, if anything to do with setting prices. That "right" belongs to the corporate middlemen, and it is theirs because of the immense power held by the oligopolies which control America's food industry.

Jim Hightower, director of the Washington based Agribusiness Accountability Project, a public interest organization focused on the food economy wrote in a June 15, 1974 *Washington Post* feature, "Grocery shoppers undoubtedly are puzzled over the phenomenon of the 'disappearing price drop' in the food economy. . . . Not only did food firms pass all of the farmers 1973 increases right through to beleaguered consumers, but they also attached a sizeable mark-up of their own. The Federal Reserve Bank of Chicago re-

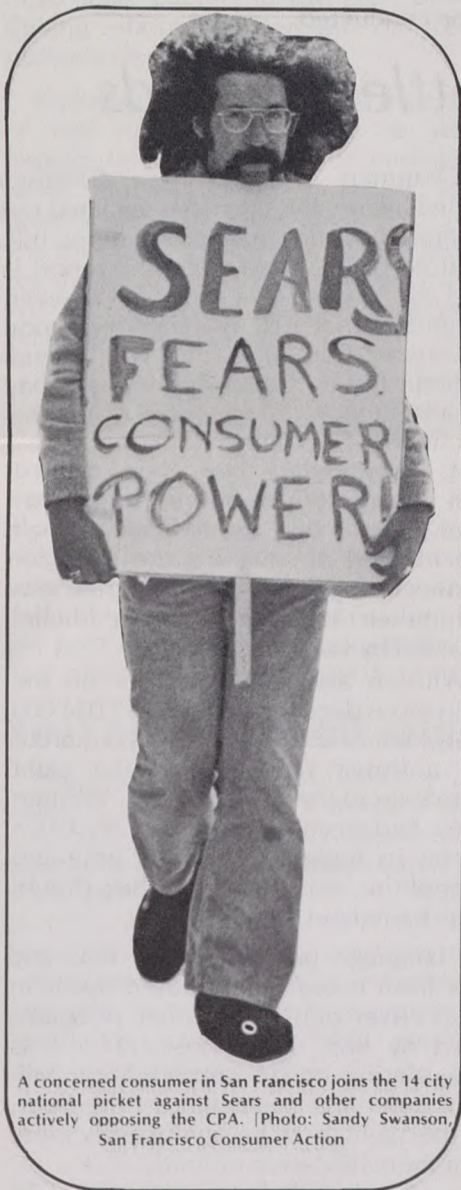
ported on March 8, that food middlemen increased their take from consumers by 6.5 per cent in 1973."

Iowa Beef Processors showed a 66 per cent increase last year while American Beef Packers boasted a 288 per cent profit gain. These figures are indicative of the level of corporate control that permeates the meat industry as it does the food economy in general.

Dr. William G. Shepherd, an authority on economic concentration reports that in the average American food lines (cereals, breads, canned goods, meats), four firms control at least 55 per cent of the market. In the meat industry, Swift, Armour, Wilson and John Morrell have 56 per cent of the profits.

This monopoly power directly affects consumers. Although the beef market is less concentrated than that of some other foods, studies show that beef and pork are on the threshold of corporate or vertical integration. This is the process in which a company engaged in one phase of an industry enters another phase. The logical conclusion of vertical integration is that a supermarket not only sells a product, but manufactures it and even grows the raw crop.

(Continued on page 2)



A concerned consumer in San Francisco joins the 14 city national picket against Sears and other companies actively opposing the CPA. [Photo: Sandy Swanson, San Francisco Consumer Action]

Meat price mess (cont. from p. 1)

In testimony before the Senate Select Committee last December, Mr. Hightower noted, "Ralston Purina, the firm that integrated poultry products in the 1960's leaving thousands of independent chicken producers devastated, now is engaged in hog integration." Ralston Purina, joined by Swift & Co., intends to build a massive, integrated hog factory which will have a million hogs or more on some five thousand acres, with production, slaughter, packaging and marketing all on the same site.

"Control of pork supplies will be monopolized," Hightower continued. "And, if poultry integration is a model, consumers can expect the hog factory to produce pork that is filled with drugs and chemical additives, that is less nutritious and tasty and will ultimately be more costly."

And there is yet another problem. Rep Frank. E. Denholm (D-SD) told Congress on May 16, that there is a record high stock of meat and poultry in cold storage warehouses across the country. Beef is piled to the roofs at a record high of 476 million pounds and pork stocks, at 342 million pounds are 43 per cent more than a year ago: this pirates the prices for consumers and producers alike."

What does this monopolistic practice do to the pocketbooks of consumers and farmers? It means that the chicken which sells for \$1.50 in the market nets the farmer about six cents. This results in a paradox: farmers cannot afford to produce and consumers cannot afford to eat. In the middle, corporate middlemen are getting fat and wealthy.

Retail monopolies growing

At the retail level, the same high degree of concentration exists. In half of the cities in the U.S., four or fewer retail chain stores dominate the city. In Washington, D.C., for example, Safeway, Giant, Grand Union and A & P control 72 per cent of the grocery market.

When a chain called Food-O-Rama tried to establish itself in the D.C. market recently, prices mysteriously began to drop in the established stores located nearby. The Federal Trade Commission began an investigation of possible anti-competitive practices among the established supermarkets, but closed it because they claim there was no evidence of collaborative price setting.

Congress and regulatory agencies have largely ignored the rise of corporate power in the food industry. Recent months have shown a mild awakening with hearings being held in both houses of Congress. In addition, the Federal Trade Commission has taken a baby-step toward focusing antitrust apparatus on food. Chairman Lewis A. Engman has announced the creation of a special task force of lawyers to develop and implement a program of antitrust action directed at the food industry. This investigation is apparently top-secret in addition to slow-moving and the only informa-



CFA President Esther Shapiro (center, head of table) meets with representatives of the South Dakota cattlemen to discuss the meat pricing dilemma.

tion they will release is that "The FTC is very concerned about food prices."

Legislative Action Needed

Strong legislative action must be undertaken at the root of the problem. Consumer Federation of America endorses the following recommendations:

1. The Federal Trade Commission "should be charged with making a continuing review of market structure and competition in the food industry and report annually thereon to Congress." (recommendation of National Commission on Food Marketing 1966)

2. The FTC should complete the investigations of its special task force as soon as possible and take strong steps to restore competition to the food industry.

3. The Family Farm act, which would "force corporations and-or conglomerates to divest themselves of their farm holdings" should be exhumed from the file cabinets of the Senate and enacted.

4. There should be vigorous enforcement of existing anti-trust laws to break up the monopolistic power that exists in today's food economy.

5. All corporate mergers in the food industry, should be prohibited, especially those that increase vertical integration.

6. All consent decrees arising from FTC action should be publicly negotiated, giving ample opportunity for consumer comment.

7. Legitimate consumer representation should be appointed to all boards and advisory committees related to the food industry and to agricultural programs.

8. Farming by large-scale, non-farm corporations and conglomerates should be prohibited.

9. Tax loopholes which allow corporate and urban investors to use farming losses against their non-farm incomes should be removed.

10. A public examination of the capital structure of the food economy, with particular attention to the ownership of retail food chains and beef feedlots, should be conducted.

FTC business program wins battle for funds

A parliamentary battle over Federal Trade Commission appropriations was waged Friday June 21 on the House floor and consumer forces emerged victorious after having made only minor concessions.

FTC's controversial line-of-business reporting program which had been gutted by the House Banking and Currency Committee was re-established through a series of parliamentary maneuvers and floor amendments. The line-of-business program was proposed in order to stimulate competition in the private sector by requiring the nation's largest conglomerates to submit data on profitability to the FTC. This data could be used by economists to study inflation, by other businesses to identify products with unusually high profit margins, and by members of Congress to legislate on the economy, inflation and monopolies.

Business forces have lobbied extensively against the line-of-business reporting system, while CFA and other consumer groups have strongly supported the program as a boon to consumers.

As proposed by the FTC, the program would have required the nation's largest 500 firms to supply line-of-business data annually. Such data from the top 500 firms covers a significant portion of the American economy. In its Committee report, the House Appropriations Committee authorized line-of-business data collection for 250 firms chosen "at random" rather than the top 500 firms. A random selection of firms would cripple the FTC program since it involves too small a statistical sampling to produce meaningful results. The "at random" limitation was contained in the Committee report and not in the bill. By not including this language in the bill itself,

Committee Chairman Jamie Whitten (D-Miss.) cleverly avoided having the language declared out of order as legislation on an appropriations bill. Whitten admitted on the floor that "the report is not a law and the law is not a report." However, Whitten recognized that FTC is dependent upon the Appropriations Committee for its annual budget, adding: "the Committee does pay considerable attention in future years as to how well the Commission (FTC) heeds its reports."

A series of amendments was then offered culminating in a compromise offered by Michel (R-Ill.) to make it clear that the FTC alone shall determine the method of selecting the firms for the line-of-business program, but the program was limited to 250, rather than 500 firms. The Michel amendment passed by voice vote.

Chairman Whitten also backed down on the Committee's previous decision to delete \$1,014,000 for an FTC energy study and for FTC prosecution of an important antitrust case against the eight largest oil companies in the United States. Whitten said the money had been stricken due to FTC's failure to process its budget request on time and would be restored this time, but that "they should not expect to be bailed out in the future...."

Committee language preventing the FTC and other agencies from transferring unused funds in one program to cover deficits in other programs was challenged by Rep. John Moss (D-Cal.) as constituting legislation on an appropriation bill. Moss's point of order was sustained on the floor, thus enabling the agencies to be significantly more independent in their allocation of funds.

The Senate is scheduled to vote on FTC appropriations July 15.

CFA News

PRESIDENT
Esther Shapiro
EXECUTIVE DIRECTOR
Carol Tucker Foreman
EDITOR
Midge Shubow

The CFA News is a publication of the Consumer Federation of America, 1012 14th Street, N.W., Washington, D.C. 20005. Subscriptions are available at \$15.00 per year.

Speak out

Two views of America's energy future

By Richard A. Wegman

Chief Counsel, Reorganization Subcommittee, U.S. Senate

The Energy Reorganization Act of 1974—the ERDA bill, for short—provides the first major reassessment and redirection of this country's energy programs. It also represents the first time Congress has taken a close and critical look at our rapidly expanding nuclear power industry.

The ERDA bill is an outgrowth of the energy crisis. Introduced by Senator Abraham Ribicoff last December, the legislation establishes a new Energy Research and Development Administration (ERDA) to oversee and manage the nation's efforts to become energy self-sufficient in the next decade. ERDA is to be formed by pulling together the now diverse energy R & D programs from throughout the federal government: oil, coal and gas programs from the Interior Department, solar and geothermal programs from the National Science Foundation, and nuclear programs from the Atomic Energy Commission. The new agency will receive \$20 billion in funding over the next 10 years.

There are currently 43 nuclear reactors in the U.S., producing about 6 percent of our electricity. By the year 2000, the industry expects to have 1000 reactors in the U.S., producing about 60 percent of the nation's electricity.

Perhaps the most significant aspect of the Ribicoff legislation is its impact on nuclear power development. Nuclear power promises to provide a cheap source of electricity. But testimony during hearings on this legislation also indicated how pervasive and dangerous this new energy technology may become.

The central element in the nuclear fuel cycle is plutonium. Plutonium is the stuff of which atomic bombs are—and can be—made. According to testimony, an individual with a moderate amount of know-how (the diagrams are available at any good scientific library) could fashion an A-bomb in his basement if he could get hold of 20 pounds of plutonium. The 1000 reactors planned for the

end of this century will generate 660,000 pounds of plutonium a year.

Moreover, plutonium is also extraordinarily toxic; one thirty-millionth of an ounce is enough to cause cancer if inhaled or swallowed. Quite clearly, the prospects for misuse of plutonium—either through accident or deliberate acts of sabotage—are considerable, and these risks will increase exponentially as the use of plutonium becomes more and more widespread.

Until now, development and licensing of nuclear power has been under the jurisdiction of the Atomic Energy Commission. Many have criticized the AEC for doing more to promote nuclear power than to control it, and for devoting far too little attention to the enormous safety and safeguards problems which nuclear power poses.

The Ribicoff legislation addresses these problems in three broad ways. First, the bill splits off the regulatory work of the AEC from its promotion and development work—thus keeping the fox away from the chicken coop. Second, it merges the AEC's developmental programs into the new ERDA, where they will be overseen by an *unbiased* administrative structure (appointment of an ERDA Administrator with a predominantly nuclear background is prohibited), and where they will have to compete for funds with other energy programs. Third, the AEC's regulatory work is to be substantially beefed up by the creation of a new agency devoted exclusively to nuclear safety and regulation—the Nuclear Safety and Licensing Commission (NSLC).

The ERDA bill now coming to the Senate is vital legislation. If we are to redirect this country's search for new energy supplies, if we are to promote the development of clean, renewable, and safe energy sources, and if we are to restrain the present unfettered development of nuclear power under the not-so-watchful eye of the Atomic Energy Commission, it is essential that we act on this legislation now.

By Mark H. Lynch

Attorney with Ralph Nader's Public Citizen, specializing in energy legislation

Although S. 2744, the Energy Reorganization Act of 1974, takes an important step forward in separating nuclear regulation and safety from nuclear promotion, five additional amendments to the Nuclear Safety and Licensing Commission are necessary if the NSLC is to be truly responsive to the public in regulating the most hazardous technology ever known to man.

1) An amendment to provide legal and technical fees to citizen groups which intervene in nuclear licensing proceedings. Officials of the AEC have acknowledged that intervenors make important contributions in identifying and developing safety and environmental issues. But because of the lengthy nature and extreme technical complexity of these proceedings, the cost of intervening is usually around \$100,000. If the right to meaningful participation in decisions of enormous health, safety, environmental and economic consequences is to be realized, the government must provide financial assistance. Senator Edward Kennedy will offer this amendment.

2) An amendment to authorize states to set higher safety standards for nuclear power plants than those set by the federal NSLC. Under current law the states must accept the AEC's safety decisions. Yet the AEC's record is replete with toleration of hazardous radiation emissions, ill-considered siting decisions, and other errors of omission and commission. Just as the Clean Air Act allows states to set higher air quality standards than the minimum federal requirements, this amendment would give states a voice in the degree of nuclear risk they are willing to assume.

3) An amendment requiring the government to make public all information dealing with nuclear safety systems. Under existing law, the AEC can withhold such information on

the grounds that it is a trade secret or an internal governmental document. Given the overriding public interest in protection against the dangers of nuclear energy, these justifications are inadequate.

4) An amendment to establish a public counsel within the NSLC. A licensing proceeding begins when a utility proposes to build a nuclear power plant. The utility is required to provide detailed plans and justification to the NSLC for careful scrutiny. Rather than relying on agency review alone, the NSLC can best test the facts and frame the issues if there is an adversarial party to the proceeding representing the public interest. This would be the job of the public counsel.

5) An amendment to require the utilities to bear the costs of providing adequate safeguards against theft and sabotage of nuclear materials. S. 2744 makes significant contributions in this area, but provides that the costs be born by taxpayers. Because these problems are severe and peculiar to the nuclear industry, it is appropriate that the costs of safety be internalized so that the price of nuclear generated electricity reflects the real costs of the technology. If the taxpayer bears the costs of safety, the utilities will be receiving a massive subsidy.

In addition to these five amendments to NSLC, Senator Abourezk will offer an amendment to the ERDA title of the bill to create two R & D agencies—one for nuclear energy and one for non-nuclear energy systems. This amendment will insure that the nuclear side of ERDA will not dominate the entire agency and stifle the development of clean, renewable, economical energy alternatives. Given the enormous tilt of the current federal R & D program toward nuclear energy and given the extent to which ERDA is being built upon that program, the danger of a nuclear bias is very real.

Real estate rip-off ratified

The House Banking and Currency Committee on June 25, approved a bill which repeals the only existing Federal regulatory authority over today's inflated real estate settlement costs. The bill, H.R. 9989, sponsored by Rep. Robert Stephens (D-Ga.), provides essentially cosmetic real estate reform where substantive reform is desperately needed.

Banking and real estate interests lobbied extensively for the repeal provision, while CFA, consumer groups and labor unions united to oppose the repeal. We lost.

Senator William Brock (R-Tenn) is the chief sponsor of similar legislation in the Senate. This bill, S. 3164, is scheduled for a floor vote in mid-July. Write your disapproval to your Senator immediately.

Keep the CFA News coming to you each month by using this order form, or pass it along to a friend who is interested in being informed of the latest in consumer news. A one year subscription is \$15.

Please enter a subscription for:

Name _____
Address _____
City _____ State _____ Zip _____

Please make all checks payable to Consumer Federation of America. Subscriptions should be mailed to CFA, 1012 14th Street, N.W., Washington, D.C. 20005.

Air line fares soaring: consumers grounded

Inexpensive air travel will be further out of reach for consumers again this summer because legislation which would simplify the rules governing charter air travel has been tabled in the Senate.

The Senate Commerce Committee reported S. 1739 to the Senate on September 11, 1973, but the bill was never called for a vote and floor action remains unscheduled. CFA's Transportation Committee, chaired by Shelby Southard of the Cooperative League, has been working to get S. 1739 enacted. Mr. Southard suggests the legislation will get moving if consumers throughout the country write their Senators stating their support of this bill.

The proposed legislation would amend the Federal Aviation Act to remove the restrictions on Inclusive Tour Charters (ITC's) and make available to U.S. citizens the type of low-cost ITC service which has existed in Europe for over 15 years. It would put the cost of vacations by air in reach of low-income travelers and make it easier for groups to organize trips.

Senator Howard Cannon (D-Nev.), Chairman of the Senate Aviation Subcommittee, wrote to all Senators recently urging their support of the bill. He explained, "The time-worn argument you have heard against this concept that single-stop ITC's will somehow harm the airline industry is non-

sense; these claims have been made in an attempt to alarm the Senate and to confuse the public as to what ITC's are all about.

"Stated simply," he continues, "an ITC is a package vacation offered to the consumer at a specified price which includes air transportation, hotel and meal accommodations, sightseeing, auto rental and other ground transportation, all of which make up a vacation. Because organizers of ITC's can purchase air transportation charter service and ground service in bulk, the savings from high volume purchasing are passed along to the consumer in the form of a lower cost vacation than could be obtained if the consumer purchased each component of the vacation separately. . . . It is my view that passage of this important consumer legislation is even more necessary now than it was last fall because of the nation's serious energy shortage and because of the rapidly increasing costs of air travel."

Let your Senators know that you support S. 1739 and urge them to act on it now, lest this be another winter of our discontent.

Send copies of your letters to Shelby Southard, c/o CFA Transportation Committee, 1012 14th St., N.W., Washington, D.C. 20005, and he will follow-up your correspondence by visiting your Senator.

Consumer Federation welcomes new members

Consumer Federation of America is pleased to welcome six new groups to our organization. Their membership was formally approved by CFA's Board of Directors on June 5. This brings CFA's current membership roster to 185 national, state and local groups. The initiated members include two consumer groups, three credit unions and one association.

The two consumer groups are Idaho Consumer Affairs, Inc. and the Consumer Alliance of Nebraska. Both are pledged to insuring the protection of the consumer in commercial transactions through education, information, representation and coordination.

New credit union leagues, the California Credit Union League, the North Dakota Credit Union League and the Pennsylvania Credit Union League encourage uniformly high standards of credit union conduct.

The largest new member of CFA is the National Education Association, the world's largest professional organization, which incorporates approximately 33 organizations working for higher quality in public education.

CFA president Esther Shapiro noted, "We at CFA hope these alliances will further the goals of our new members and form the basis for a close and mutually beneficial association."

Consumers are active in many efforts throughout the country

MICHIGAN has passed a generic drug substitution bill which will allow a "generically equivalent" but less expensive drug to be substituted for a brand name on a doctor's prescription. For details write Esther Shapiro, Box 5210, Detroit, Michigan 48235.

NEW YORK CONSUMER ASSEMBLY recently surveyed a cross-section of New York banks. Results: Generally speaking, small banks have less expensive checking accounts, and "free" checking may include hidden costs. Want to check out your local checking accounts? Write Eileen Hoats, NYCA, 465 Grand Street, New York, New York 10002 for how to do it.

Congratulations to the Young Executive Committee of the United States Department of Agriculture for their recent publication *Consum-*

ers: A Restless Constituency. The report recognizes the need for more consumer input in department programs and decision-making processes. CFA hopes the old executives will tune in. For a copy, write USDA, Washington, D.C.

VIRGINIA boasts a major victory for consumers—the Virginia Board of Agriculture recently added a tough enforcement section to the Infant Formula Regulation it passed last year. The new law makes it a misdemeanor to sell outdated infant formula or to cover the date with a price sticker. Four years of hard work and tough opposition from industry lobbyists make this a great victory for Virginia Citizen's Consumers Council. VCCC representatives have also begun with Giant Food officials to discuss the store's plan to begin using electronic checkouts next fall. Your group may want to initiate similar meetings before Universal Product

Codes come into widespread use without consumer input. Contact Lynn Jordan, VCCC, 6816 Grey Fox Drive, Springfield, Virginia 22152 for suggestions.

MARYLAND CITIZENS CONSUMER COUNCIL has initiated a search project to aid in the implementation of the innovative legislation enacted by the 1974 Maryland General Assembly. All four of MCCC's legislative targets for the '74 session were enacted, including a law which provides for the appointment of consumer representatives to the states boards which license and regulate trades and professions. MCCC will serve as a clearinghouse for collecting names of qualified individuals. Only four other states provide for this type of direct consumer participation. Contact Ellen Haas, P.O. Box 5767, Bethesda, Maryland 20014.



CFA's summer interns are [l to r] Robyn Shapiro—University of Michigan; Tom Spencer—Duke University; Karen Zavoue—University of Michigan; Chuck Jarik—Duke; and Sherry Gwynn—Simmons College.

Bulk Rate
U.S. Postage
PAID
Washington, D.C.
Permit No. 44772