CFA consumer federation of america

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Washington, D.C. September, 1975

Russian Wheat Deal Stresses Need for National Food Policy

More than anything else, the volatile controversy surrounding the 1975 Russian wheat deal emphasizes the staggering inadequacies of American agricultural policy.

Instead of setting rational priorities of stability and security for both consumer and producer, the Administration is taking both groups on a roller coaster ride of price fluctuations that is both frightening and dangerous to their economic survival.

CFA's executive director Carol Tucker Foreman recently charged, "The Government should have taken advantage of this year's bumper wheat crop to create a domestic reserve as a hedge against a possible bad harvest and higher prices in the future." This reserve could be insulated from the market so it would not depress farm income, but it would be available to meet our domestic needs.

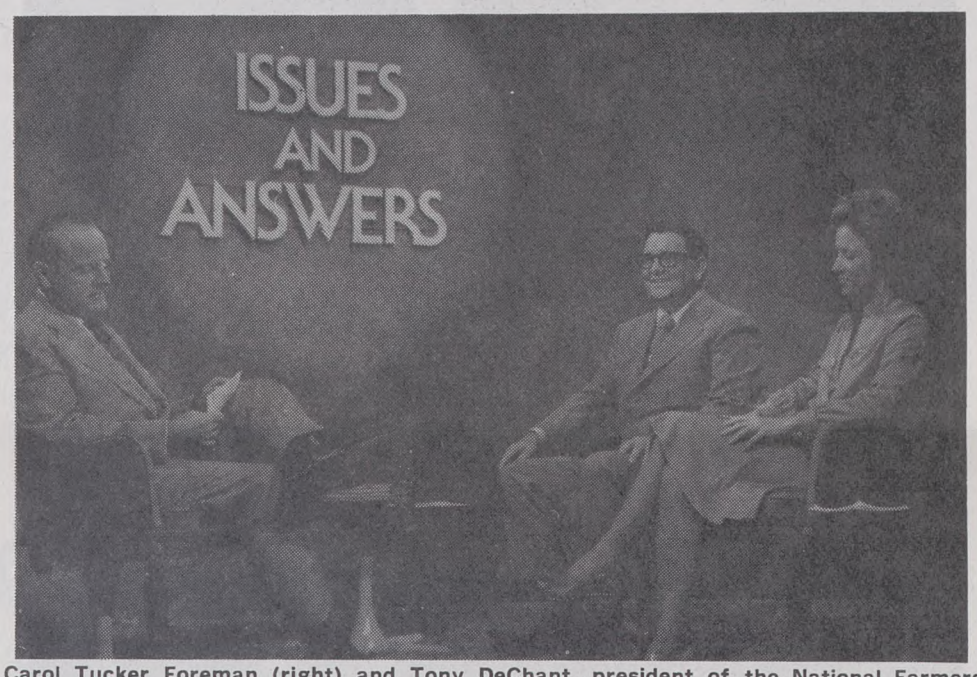
Speaking on ABC's Issues and Answers on August 24, Ms. Foreman urged, "A national food policy should be established which would take care of domestic consumers first, America's traditional trading partners second, hungry nations third, and finally those nations who want to flit in and out of the market."

This national food policy should guarantee that every American family will have access to a nutritionally adequate diet without expending more than 15% of disposable income for that purpose. In 1973, a family of four with an income of $7,280 would have had to spend at least 45% of their disposable income for a moderate plan of eating.

Ms. Foreman also called for the Council on Wage and Price Stabilization to provide constant monitoring of all four, cereal and bread prices to guarantee that no increase above that made necessary by increased wheat prices, is passed on the consumers. "I think the Council should go out and subpoena records, " she stressed. "The public deserves to know why these companies are raising prices."

Pillsbury, (which has already announced an 8.5% increase in wholesale flour prices). General Mills and other manufacturing companies should not make a profit from the wheat sale. CFA has urged President Ford to name publicly those corporations

Russian Wheat Deal cont. on p. 2



Carol Tucker Foreman (right) and Tony DeChant, president of the National Farmers Union (center) discuss implications of the Russian Wheat Deal with host Bob Clark of ABC's Issues and Answers.

House Vote Nears On ACP

**Money doesn't grow on trees, you know.
Doing something for you would
cost several dollars"**

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H.R. 7575—The Agency for Consumer Protection bill is scheduled for a floor vote at the end of September, the bill having been reported favorably without amendment by the Government Operations Committee on July 18, 1975 by a vote of 30-10. It is essential that consumers throughout the country make one more all out effort to urge their Congressmen to support this vital legislation. Call, wrote or wire your Representatives now. Your efforts will make the difference between consumers having a voice in the Federal decision-making process and continued industry dominance. Please help!

Focus On Local KonsumerS

This Month: Consumer Action

Consumer Action is a grassroots group that thrives on controversy. During its four years of life it has moved from primarily complaints-handling, to tackling one of the toughest issues of our time—the near total control of our politics and economy by giant corporations motivated by profits, not people.

Said Kay Pachtner, CA's founder and executive director: "The giants dictate what we'll manufacture, how we'll use raw materials and energy, how much tax money will go into our permanent war economy instead of into "people" programs, and how we'll use advertising on a bloated scale to sell vast quantities of consumer goods of questionable value and declining quality. These decisions are being made is secret corporate meetings, by executives whose cynical contempt for the public welfare borders on the criminal. These giants have the regulatory agencies securely in their pockets, saddling consumers with the financial burden of an ineffectual bureaucracy".

CA's answer is to counterattack on a number of fronts; it educates, litigates, lobbies, researches, publishes, writes legislation, and pickets—all with the aim of getting the vital decision-making powers back where they belong, with the people.

CA initially made its mark as a complaint resolution organization, in the process winning a landmark case in 1972 allowing consumers to engage in educational boycotts in California. Last year, the group initiated a new Complaint Resolution System—bringing consumers together and helping them to help themselves. People with a grievance join one of 10 committees in the San Francisco Bay Area, and agree to work on other people's problems as well as their own. CA's goal is to establish a committee in each California Assembly district, with the intention of eventually being able to exert political leverage.

Folks cont. to p. 2

CFA Launches Major Fundraising Drive

In order to raise enough money to enable CFA to meet this year's budget, the month of September will be devoted to a major fundraising campaign conducted by members of CFA's Board of Directors.

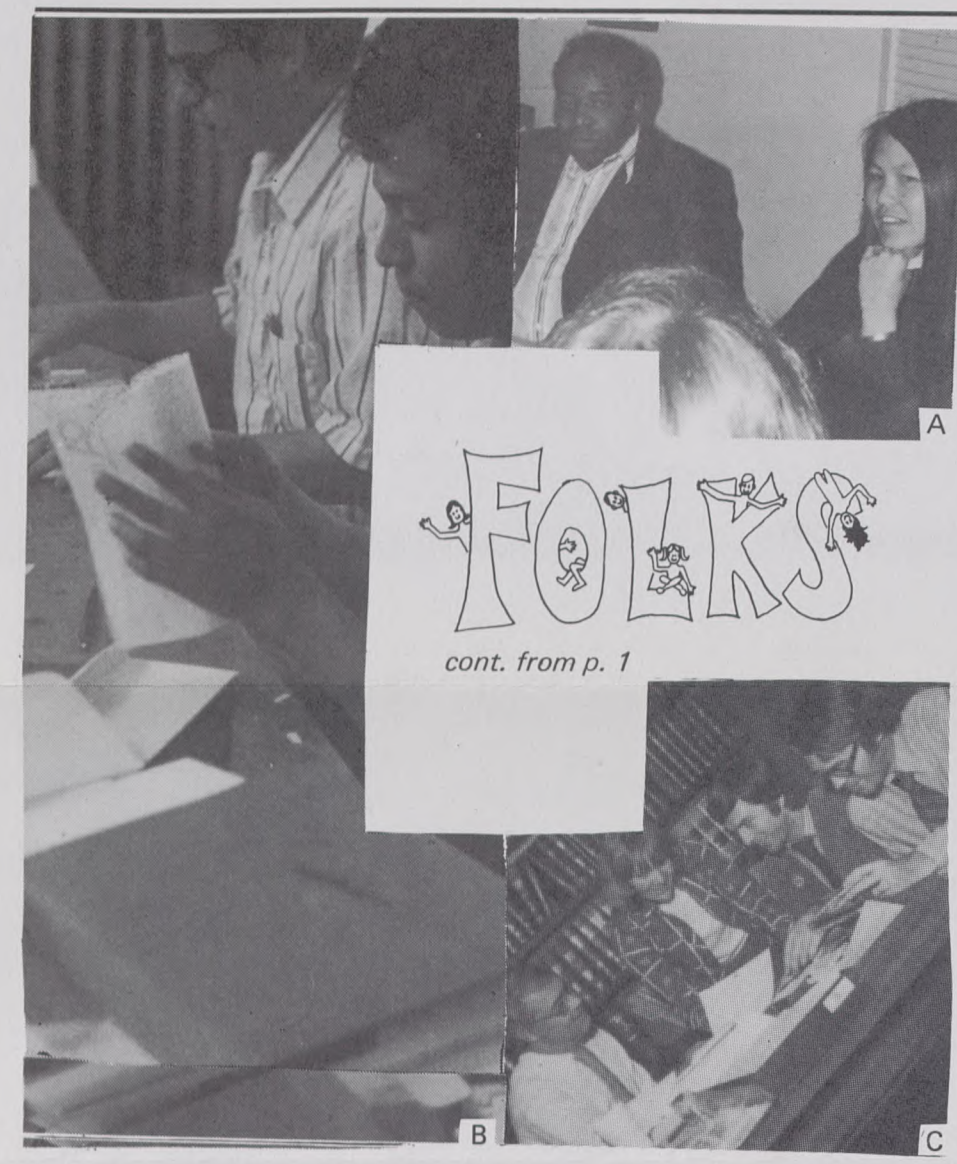
The funding drive was approved by the CFA Board at its June 12 meeting. At that time, CFA president Eileen Hoats appointed Warren Braren of Consumers Union and Gordon Cole of the International Association of Machinists and Aerospace Workers as co-chairmen to head up the effort.

The CFA board also decided to try to broaden the base of the organization's support by actively seeking contributions from individual consumers for the first time.

The campaign goal is $6,000. Each of the 40 Board members needs to raise a minimum of $150 from personal contributions and solicitations from friends and associates.

Warren Braren sums up the needs for a vigorous fundraising effort this way, "For CFA to expand its reach and be more effective in representing the consumer voice in Washington, we need to raise an additional $100,000 for each of the next five years. That isn't much if we stop to consider what is at stake. Faced with inflation and recession, this is not an easy time to turn one's friends and professional colleagues to support a cause—even though you know its right. But this is just the time we cannot do without our public interest organizations. CFA is beholden to no vested interest. That of itself has to be worth a contribution."

Please give your best effort to help make this drive an overwhelming success.



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CA has found groups are much better than individuals at persuading businessmen to satisfy consumers. CA group delegations have had remarkable success in resolving complaints: already this year committees have won two complete refunds for lemon cars, and saved committee members a total of over $90,000 in cash and the value of goods and services.

CA has also received wide recognition for its publications, and for coordinating the publication of consumer information with action programs are aimed at making free enterprise work", said Neil Gendel, chairman of CA's Board of Directors. "To turn the economy around so that consumers dictate marketplace conditions and products, so that by "voting" with their dollars, *they* make the decisions about what should be sold, and how".

CA's first major publication, "Break the Banks"—a shopper's guide to banking services", came out in 1973. It was an extensive survey and investigation into the practices and services of banks and savings and loans, revealing price differences, and putting pressure on the banks to provide the public information about the true cost of banking services. CA, along with Consumers Union, won a suit against the Federal Reserve Board, which was witholding information needed in the banking study.

CA next published "A Shopper's Guide to Pharmacies", which was so popular it sold out. In this survey CA discovered that nearly half the pharmacies in San Francisco were violating the state law requiring price posting. After these revelations, the city's pharmacies were brought into compliance.

Also in 1974 CA investigated the California Department of Consumer Affairs, under the direction of Mike Schulman, resulting in the blistering expose, "Deceptive Packaging". The CA investigative team discovered that the licensing boards and bureaus of the DCA are no more than government-sanctioned lobbying groups for the trades and professions they are supposed to regulate, and are powerful enough to drive the consumer protection arm of the Department into a corner. The book spearheaded a drive to reform the department; CA-sponsored legislation to do this was introduced this year, but the passage of the bills is expected to be difficult.

Late last year CA pressured the San Francisco Board of Supervisors into passing an ordinance requiring gas stations to post their gas prices clearly. The measure passed - over Mayor Alioto's veto. A bill to make this state-wide later went to the California legislature, where it has passed one house.

With CA's presence in the state capitol now frequently requested, the group recently formed Consumer Advocates, to serve as its lobbying arm. The Advocates have added a strong consumer voice to the legislative process in California.

An important current project is item pricing legislation, which is now on the verge of winning approval by the legislature. A key spokesperson for item pricing has been Catherine Johnson, director of CA's new Food Task Force. "Our basic goal is a food lifeline for all Americans", said Ms. Johnson "We coordinated national Food Day in the Bay Area, bringing many diverse groups together for the effort". The Food Task Force has produced a series of four informational pamphlets about food and the food industry. And its current publishing program should produce some important new books and studies in the next few months - including a corporate profile on Del Monte, an agribusiness Directory, and an Eater's Rights Handbook. Recently, an FTF investigation team uncovered insanitary conditions in local canned food discount stores; another team is studying sugar.

Two other new CA study teams are also very active. An eye care task force is studying eye care costs and services; and an insurance task force is doing the same for car insurance.

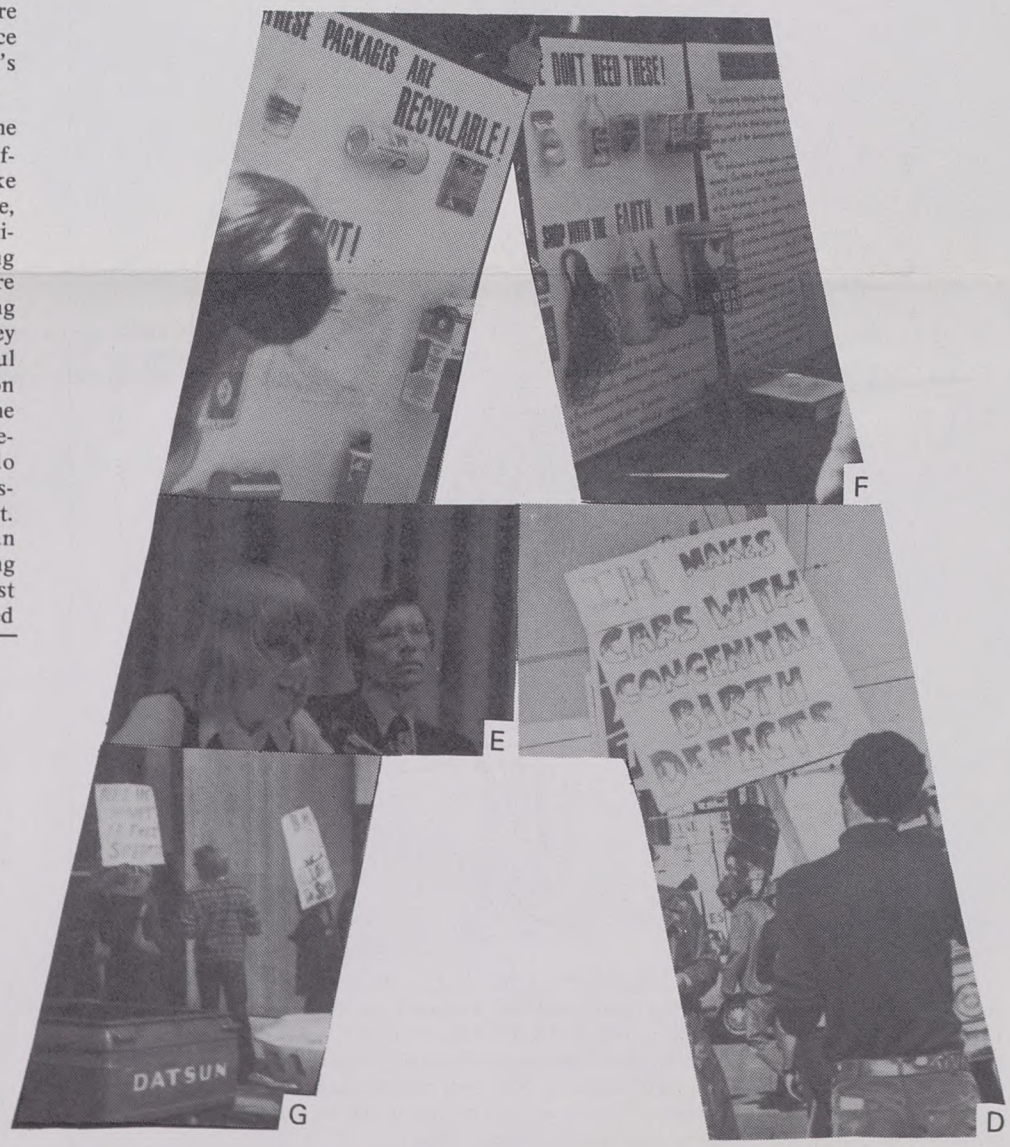
CA's newest task force is on utilities. Hardly had this group began when it hit the news with a demand for the resignations of the members of the state Public Utilities Commission. The PUC had approved what CA called a "scandalous" contract between a state utility and an oil company, which called for the state's consumers to provide the oil company with money for gas exploration in Alaska. Jo Ann Clayton, chairperson of the Utilities Task Force, warned that the PUC was setting a dangerous precedent for the nation. "If the oil companies can blackmail California, there will be absolutely no control over them. We have to hold the line in California".

Kay Pachtner sees California as a key state in other consumer areas. "So many trends start here that is is essential for the state to be a leader is solving consumer problems". Ms Pachtner has recently been a sharp critic of Governor Edmund Brown Jr. for giving a low priority to consumer affairs.

CA is becoming more involved in national affairs, too. In July it joined with CFA in launching a national campaign to oust Agriculture Secretary Earl Butz. CA also requested that Congress investigate the Westlands Water District in California; Senate hearings on Westlands will be held soon.

Although constantly strapped for money, Consumer Action also seems to prevail. But given the slightest encouragement, J. B. Moore, CA's financial director, will explain that CA must constantly dilute its activities to spend time fundraising, a task nobody likes, and which drains good energy that could be better used in "the struggle". Funds are derived from memberships ($10 a year), sales from current publications, "Break the Banks", "Deceptive Packaging", "A Guide to Public Records" (a detailed manual on how to use all the City Hall public records), and the food pamphlets "The Food Industry", "Food Advertising", "Labeling", and "Unit and Item Pricing". Some funding also comes from foundations, but "they are an unreliable source in these days of tight economy", says Moore.

A. Complaint resolution Committee meeting B. Mailing out CA literature. C. Senator George Muscone meets with CA members (L to R) Kay Pachter, Mike Schulman and John Geesman D. CA members picket—a faulty auto-repair company E. Kay Pachtner, CA executive director addresses Consumer Assembly '75 F. Food Day displays in Union Square G. CA picketing for consumer rights.



Gas Shortage cont. from p. 4

information the FEA has received from the AGA is a two-page list of reserve figures from what the association claims are the country's 50 biggest fields. This makes it impossible for the agency to check the estimates of the remaining 6308 fields on the AGA's list.

So it would seem to be up to Congress to get the answer. As this article goes to press, a House subcommittee under Rep. John Moss (D., Calif.) has just issued a subpoena demanding that seven major producers, the same seven who have long resisted subpoenas from the FTC, turn over to the subcommittee "all documents containing estimates or evaluations of the quantity of natural gas" in areas under federal control in the Gulf of Mexico off Louisiana. The subpoena must be answered by July 22.

Meanwhile, *until Congress has had a chance to determine whether the figures have been manipulated, consideration of a deregulation law should be postponed*. If you use natural gas for cooking or heating, write your Congressman telling him to vote against deregulation until this urgent question has been settled once and for all.

Special FTC Supplement

WARRANTIES

On July 4, 1975, the Magnuson-Moss Warranty Act became effective. Under the new law a written warranty must mean what it says. Purchasers must get the performance promised in a written warranty.

Congress instructed the Federal Trade Commission to work out the standards and details needed to implement the provisions of the Act. For this purpose the FTC is proposing three Rules. One Rule deals with what information appears in the warranty. One deals with making warranty information available to shoppers before they make purchase decisions. One deals with dispute settlement mechanisms. All three are summarized in the *Call*, and questions are raised about some of the provisions. The FTC is particularly interested in answers to these questions.

Consumer experiences with warranties (guarantees) would be very helpful.

HOW TO RESPOND TO THIS CALL

Submit written views by September 15, to "Warranties," Asst. Dir. for Rulemaking, FTC Washington, D.C. 20580 or to your nearest FTC Regional Office: Atlanta, GA 30308; Boston, MA 02114; Chicaco, IL 60603; Cleveland, OH 44199; Dallas, TX 75201; Kansas City, MO 64106; Los Angeles, CA 90024; New Orleans, LA 70130; New York, NY 10007; San Francisco, CA 94102; Seattle, WA 98174; Washington, D.C. 20037.

You may order copies of the proposed Rules from the same address. Or you will find them in full, in the Federal Register for July 16, 1975, Vol. 40, p. 29892. The Federal Register is found in many libraries.

You are invited to participate in public hearings to be held in Wash., D.C., Sept. 15, in Chicago, Sept. 22, and in Los Angeles, Sept. 29, 1975. To participate in the hearings, contact the Asst. Dir. for Rulemaking, FTC, Washington, D.C. 20580.

WRITTEN WARRANTIES

Neither the new law nor the Rules proposed under the law require manufacturers to offer written warranties. Rather they set standards for anyone who does. The proposed Rules cover only written warranties for consumer products that cost more than $5.

TERMS AND CONDITIONS

● A written warranty must provide the following information, simply, in comprehensible language, in a single document:

- name and address of warrantor.
- the time when the warrantor will perform his duties if other than Monday thru Saturday, 9 a.m.-6 p.m.
- identity of person(s) protected by the warranty, including limitations, if any: e.g., protecting only the initial owner.
- precisely what the warranty covers and what it excludes.
- when or under what circumstances the warranty commences, and the duration of the coverage on the product itself or any of its parts.
- what the warrantor will do in case of defect or failure (repair, replace or refund if a full warranty; which items and services will and will not be paid for or provided if a limited warranty).
- the time within which the warrantor will perform any obligations under the warranty after receiving notice of defect or failure.
- anything the purchaser must do in order to secure warranty performance, including paying any expenses.
- steps to take and who to contact to get warranty services performed, including names, address, telephone, etc.
- the fact that a dispute settlement mechanism is available, if one has been set up, and requirements for using it before pursuing legal remedies.
- if words like "life" or "lifetime" are used, the life referred to must be disclosed.
- if an owner registration or similar card is used, the warrantor must make it clear if the return of the card is a condition of warranty coverage. If it is, the warranty must say so. If it is not, the warranty must disclose that fact and must indicate its purpose, such as "marketing research" or "product safety registration."

● All warranties must include one of the following statements about express and implied warranties:

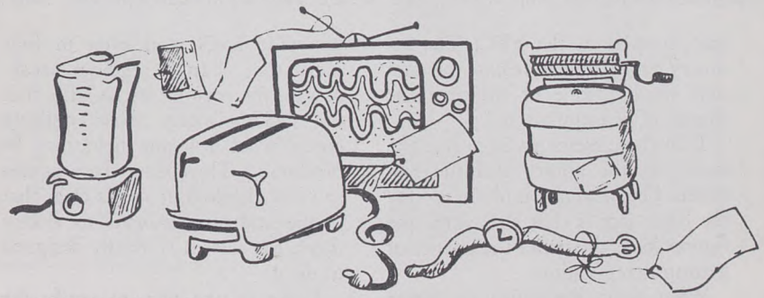
"This warranty gives you specific legal rights. You also have implied warranty rights, including an implied warranty of merchantability which means that your product must be fit for the ordinary purposes for which such goods are used. In the event of a problem with warranty service or performance, you may be able to go to a small claims court, a State court, or a Federal district court."

or

"This warranty gives you specific leagl rights. You also have implied warranty rights. In the event of a problem with warranty service or performance, you may be able to go to a small claims court, a State court, or a Federal district court."

● Large or outstanding type must be used

- to warn consumers if limits are placed on implied warranty rights or on relief, and
- to name any state with laws that make such modifications unenforceable.



MAKING WARRANTIES AVAILABLE

Warrantor Responsibilities

The warrantor must:

- Supply sellers with materials they need to see that consumers can compare warranty terms before making purchase decisions.
- Upon request, provide prospective consumers with copies of any warranties requested.
- For products costing over $5, disclose clearly and conspicuously this statement:

"The retailer has a copy of the complete warranty on this product. Ask to see it."

- In addition, for products costing over $10, disclose clearly and conspicuously the designations "full-warranty" or "limited" warranty.

These designations must appear on the principal display panel of the product container and on the product itself, by means of a tag, sticker or other attachment.

SELLER RESPONSIBILITIES

● In the store

The seller must *not* obscure or remove any warranty information attached to a consumer product.

The seller must:

Make an indexed binder available to shoppers in each department. The binder must contain up-to-date copies of each warranty for the products sold there (even if this forces the retailer to request copies from the warrantor). Each binder cover must say:

"You may obtain a copy of any of the warranties contained in this book from the warrantor."

● In catalogs and in mail order materials

On the page where any warranted product is offered for sale, the seller must:

- designate whether the warranty is full or limited.
- offer the written warranty, free, and state where to request it.
- follow up by providing a copy of any written warranty requested.

● Door-to-door sales

On any product covered by a written warranty, the salesman must give the consumer a copy of the warranty before making a sale. Consumers may keep the warranties even if they don't buy the product.

DISPUTE SETTLEMENT MECHANISMS

Warrantors are encouraged to resolve any disputes that consumers submit directly to them. Warrantors are encouraged but **not required** to set up informal dispute settlement mechanisms to handle consumer disputes they cannot resolve directly. (An example of a mechanism might be a consumer action panel.)

When a warrantor chooses to set up a dispute settlement mechanism, consumers may be required to use it before they can make certain warranty claims in court.

The proposed FTC Rules would establish the following minimum standards when warrantors set up dispute settlement mechanisms.

The face of the warranty must:

- state the name and address or free telephone number of the mechanism.
- state whether the buyer must use the mechanism before going to court over the warranty.

The warranty itself or accompanying materials must:

- include the types of information needed by the mechanism and a form to supply the information (or a free telephone number).
- state the time limits within which the mechanism must resolve disputes.

Warrantors must:

- provide sellers and service centers with complete information about contacting and using the mechanism.
- try to resolve all disputes submitted directly to them and must refer immediately to the mechanism any disputes not resolved to the consumer's satisfaction.
- act in good faith in accepting or rejecting the decisions of the mechanism, even though such decisions are not legally binding.
- comply with requirements imposed by the mechanism in certain specific matters; e.g., supplying information, notifying the mechanism of acceptance or rejection of its decision.

Dispute Settling Mechanisms must:

- be available for consumers to use without charge.
- act fairly and expeditiously to resolve disputes, generally within 40 days after notification.
- follow up to ensure performance in line with its decisions.
- act impartially and fairly with warrantors, consumers and other interested parties. To ensure this the FTC Rule proposes detailed standards for membership and procedures:
  - — who shall serve as members and who shall participate in resolving disputes.
  - — how the mechanism shall operate to:
    - a) avoid delays in dispute resolution
    - b) protect the consumer's options to seek legal redress
    - c) communicate with the parties involved
    - d) collect facts, keep records, evaluate progress, and conduct audits.

WANTED: CONSUMER EXPERIENCES

What effect does silence about product warrantes, warranty terms, and consumer rights have on consumer assumptions and decisions?

WHAT DO CONSUMERS NEED TO KNOW?

Can you submit consumer experiences that suggest answers to this question?

How would uniformity in warranty disclosures affect the consumer's ability to shop among different brands?

WARRANTY COVERAGE

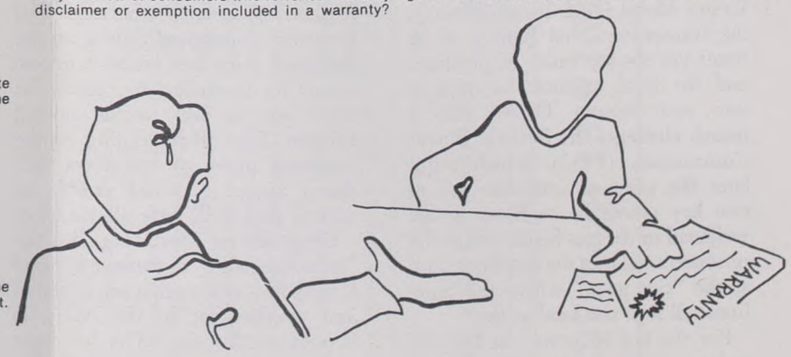
Do you know of consumers who didn't know who the warrantor was, or what the warranty covered? Exactly what information was missing? What effect did the "silence" have? Did the consumer expect more than he could claim? What happened?

Have you any evidence that the consumer might have bought something else had everything about the warranty been known?

WARRANTY RIGHTS

Do you know of consumers who did not seek warranty service because they neglected to send in a registration card? What happened?

Do you know of consumers who forfeited warranty rights because they didn't know their state outlawed a disclaimer or exemption included in a warranty?



DISPUTE SETTLEMENT

Do you know of consumers who have used "arbitration" or "mediation" mechanisms? What happened? Did the mechanism seem independent? Unbiased and objective? How was communicaton between the parties Were there delays?

Are there operating procedures that would ensure fair and expeditious settlement at less cost than the procedures proposed in the Rule?

What would ensure that consumers know of the dispute settlement mechanisms which exist?

Must they operate without charge to consumers?

How long should a mechanism have to resolve a dispute?

Is the proposed 40 day limit reasonable for all parties?

Is There Really A Natural Gas Shortage?

by James Nathan Miller

*Reprinted from the Congressional Record, Aug. 1, 1975. The article originally appeared in Sept., 1975 *Readers Digest*.

THIS is the story of an explosive question that Congress must answer before it acts on an important piece of legislation. The question is this: are the big energy companies creating a phony "shortage" in order to force Congress to deregulate the price of natural gas?

To the nation as a whole—and specifically to the 40 million families who regularly use natural gas—the question is crucial. Natural gas is our most important domestically owned energy source. It's the cleanest fuel we have, it's nearly all produced in the United States, and it provides more than 40 percent of our energy. Congress is now debating whether to free a key element in its price from regulation, thus adding billions of dollars to the national fuel bill. Yet the key figures around which the debate revolves come from the gas industry itself, and the industry refuses to let the government see the records on which these figures are based.

What are the chances that the industry is rigging the figures? During a recent investigation, I came across some very troubling evidence. But first, take a quick look at the main facts of the present debate over deregulation.

Sudden Drop. The natural-gas industry consists of three elements: the big producers that extract the fuel (these are mainly the same companies that pump oil: Chevron, Exxon, Mobil, Gulf, Texaco, others); the transporters that haul it to 48 states via 265,000 miles of pipeline; and the local utilities that pipe it into your house. There's also a fourth element: the Federal Power Commission (FPC), which regulates the price of interstate gas at two key points in its flow: at the wellhead in the gas fields, where the producers sell it to the pipelines; and at the "city gate," where the pipelines sell it to the local utilities.

For the last 20 years, the big oil-and-gas companies have been lobbying Congress to free the wellhead end of the pipe from regulation. Now, because a sudden change in a group of key statistics seems finally to have put Congress in a "deregulation" frame of mind, it looks as if such a law may be passed before this year is out. What happened was this:

Since 1946, the American Gas Association (AGA) has been making an annual survey of the producers' underground reserve stocks, and each year the association has issued its official estimate of total U.S. "proved" reserves: that is, the amount the companies have drilled into, measured and are "reasonably certain" that they can sell at a profit. For 20 years these figures showed that the companies were discovering more gas than they were selling, and thus the nation's proved reserves were getting bigger even as we used more gas.

But when the AGA issued its figures for 1968, they showed a calamitous change: an enormous drop of 5.5 trillion cubic feet in the proved reserves. (The United States consumes about 22 trillion cubic feet a year.) Since then the yearly drops have been even worse—the biggest was 16 trillion in 1973—and if something isn't done to stop the hemorrhage we could run out of gas in 35 years or so. Indeed, the first symptoms are beginning to show, as pipelines have cut deliveries in the Northeast, closing factories and throwing hundreds out of work.

Hence the present impetus toward deregulation. The reasoning is simple and convincing: everybody agrees there's plenty of gas underground waiting to be discovered; so what we have is not a *natural,* but a *legislatively created,* shortage. The government-imposed ceiling on the wellhead price has made it uneconomic for producers to explore for more gas to add to the proved column. Take off the ceiling, let the wellhead price go up (most estimates agree it would double or triple), and we'll have all we need.

Designed for Doctoring. But the "let's-deregulate" argument is based largely on statistics that are collected and vouched for by the AGA. Is it possible that the AGA has been manipulating its statistics to make things look worse than they are?

It *is* possible, according to economics professor David Schwartz of Michigan State University, an expert in public-utility regulation who resigned from the FPC in May after serving ten years as assistant chief of the agency's Office of Economics. Says Schwartz: "The industry has both the incentive and the ability to manipulate the figures, and the likelihood that it is doing so is suggested by the many inconsistencies, contradictions and anomalies that are contained in the figures it has reported to the FPC. The industry has refused to release the data that would prove or disprove the charge of manipulation."

Take those elements in order: the incentive, the ability and the evidence. The *incentive* is obvious—for the basic fact is that the worse the figures look, the better the chance of getting deregulation.

What about the *ability* to doctor them, given the fact that the industry operates directly under the eye of the FPC? First, take a look at the reserves themselves.

Most of the gas in the United States lies in pockets of porous rock, roofed over by more-solid rock. These pockets—they vary in size from a few hundred acres to hundreds of square miles—constitute the nation's gas fields, and so far we have discovered about 6000 of them, scattered from Alaska to the Gulf of Mexico. The crucial fact about measuring the proved reserves in these fields is that only the gas producers themselves have the billions of dollars' worth of drilling and pumping equipment required to do it. And thus only the gas producers possess the vital data.

Though these field-by-field data are a gas company's most precious trade secrets, the individual companies do allow one select group of their competitors' employes to get a peek at some of the information: the members of AGA's Committee on Natural Gas Reserves and its subcommittees. Each year, AGA takes about 100 geologists and petroleum engineers from the various companies and divides them into ten teams, one for each of the country's ten major producing areas. Each team member has a list of fields to check. He asks the companies on his list for their field-by-field production-and-discovery figures for the year, then makes his own estimate of the reserves in his fields and hands his list to the team captain. The ten captains make their own area-wide estimates, and each spring the AGA combines these estimates and issues its own national figures.

There's a vital point to note about these national statistics: to avoid giving away trade secrets, they're kept purposely unspecific and general. Almost all the totals are on a statewide basis, and even in four states that require regional breakdowns, the regions are so large that the AGA's totals reveal nothing about what any one field may be producing. Thus, since these figures can't be checked, it seems clear that if the industry *wanted* to doctor them, the system is ideally designed to do it.

There *is* one way to verify the figures. The FPC could demand the companies' in-house records, then compare them with the AGA's figures, field by field. Why doesn't it do this? There is some disagreement as to whether the agency has the authority to subpoena the material; in any case, it has never tried. Nor does there seem much hope that it will, for the FPC is generally recognized in Washington as one of the weaker regulatory agencies. Its present commissioners are all strong defenders of the industry. And its chairman, John Nassikas,* is a former lawyer for the power industry.

Troubling Evidence. What, then, about the *evidence* of possible manipulation? There are many bits and pieces, some of them circumstantial, some factual, all of them troubling. Here is a sampling:

• *Stymied Investigation.* Five years ago, Sen. Philip Hart (D., Mich.) asked the Federal Trade Commission (FTC) to investigate the accuracy of the AGA's statistics. (He chose the FTC, rather than the FPC, because he did not trust the latter to do a thorough job.) The FTC subpoenaed the records of 11 major gas producers. Only four complied, and the other seven are still fighting the subpoena in court.

The documents that the FTC did get have convinced members of its staff that there is "serious underreporting," that it is "tantamount to collusive price rigging" and that it "significantly increased" in 1968 and 1969, the years when the figures began their steep drop. Among the huge disparities that the FTC cited were instances in which the companies' in-house reports on their reserves were ten times higher than what the AGA reported. In some cases, the high in-house estimate and the low AGA estimate were made by the same individual.

*Nassikas resigned in June, but will remain in his post until a successor is confirmed.

• *The "Independent" Study.* In 1971, the FPC announced that it was determined to settle the questions about the AGA's statistics once and for all. It hired a professor of petroleum and geological engineering from the University of Oklahoma, put him in charge of a large team of FPC geologists and engineers, and persuaded the gas companies for the first time in their history to turn over to a group of outsiders a massive collection of their most secret data: the flow measurements, well logs, etc., of a sampling of 158 gas fields that contained, according to the AGA's figures, about half the nation's proved reserves.

To doublecheck, the government experts went out to the gas fields to make their own spot checks on many of the wells. The result was a hard blow to the charge that the AGA was underreporting: the FPC's estimate indicated that the United States actually possessed ten percent *less* gas than the AGA figures show.

The FPC calls it "the first independent, government-conducted appraisal of the proven gas reserves of the United States," and chairman Nassikas cites an analysis of the study made by a Washington consulting firm, Energy Research, Inc., which found it "of very high quality."

However, Energy Research failed to look into several critical points. If it had, it would have made some startling discoveries. The "independent" study was actually designed by an "advisory" committee dominated by industry executives from Exxon, Mobil, Gulf, Texaco, etc. The study's director, University of Oklahoma Prof. Paul Root, admits that the 158-field sample was *not* designed to check the accuracy of AGA's figures. In fact, Harvard Business School Prof. Howard Pifer III, a "public" member of the study group, says the 158 fields (chosen from a total of more than 6000) "represented the least likely places to look for AGA underreporting." Concludes Rep. John Dingell (D., Mich.), whose subcommittee investigated the way the study was made, "I don't see how the FPC thought it could get away with this. It gives every appearance of having been a put-up job."

• *The Case of the 31 Leases.* Two years ago, as Congressional pressure increased on the FPC to check up on the AGA, the association agreed to send a team of FPC geologists and engineers out to the wells to come up with their own reserve data. The area they chose to sample was the Gulf of Mexico off Louisiana, where companies lease government-owned tracts that produce about 19 percent of the nation's gas.

Though the team was able to get information on only 31 gas leases—less than four percent of the off-Louisiana total—the figures they came up with were, once again, startling: during 1971 and 1972, the wells in the FPC's small sample were found to contain 4.8 trillion feet of new gas—54 percent more than the 3.1 trillion feet of new discoveries that the AGA had reported for the same period *for all 850-odd leases off Louisiana.* How does the AGA explain the disparity? It says the FPC used "speculative" methods in its assessment, compared with the AGA's more conservative methods. But when the FPC asked to see the data the AGA had used, the association refused.

• *The Information Gap.* Perhaps the most troubling question is why the oil-and-gas industry—in the midst of a public-relations campaign to re-establish its credibility with the public—is putting the whole campaign in jeopardy with its determined secrecy about the gas reserves. Many other industries routinely turn over their most closely guarded secrets to government agencies—patent applications, detailed financial figures, chemical, and drug formulas, etc. *If the oil-and-gas companies have nothing to hide, why do they insist on hiding so much?*

Will we ever get the answer? The industry says yes. Though it is still fighting to keep vital figures from the FPC and FTC, it says it is cooperating by giving a third agency, the Federal Energy Administration (FEA), the facts needed for a solid assessment of the reserves. However, it's questionable how solid that assessment will be. FEA head Frank Zarb, a strong backer of deregulation, is on record as a firm believer in the validity of the AGA's figures, and the investigation his agency is making doesn't seem designed to weaken this belief. Indeed, the only

Gas Shortage cont. to p. 2

SPEAK OUT!

Warning Issued on No-Fault Provisions for Funerals

by Ruth M. Harmer Continental Association of Funeral and Memorial Societies

Funeral and burial allownaces being written into national "no-fault" auto insurance laws are merely "a bonanza for the death industry". This alleged benefit is merely a subsidy for the funeral industry that will wildly inflate the already high cost of dying.

Currently, both houses of Congress have exceedingly high funeral allowances included in "no-fault" automobile insurance bills. These allowances of approximately $1000 could encourage funeral directors to charge higher prices for burial services to auto accident victims.

For the past three years, the Continental Association of Funeral and Memorial Societies and its 130 nonprofit member societies have been working at the state level to halt industry-advocated allowances from being written into law. Some success was realized in California, where a proposed $1,500 funeral and burial allownace was cut to $500. In Massachusetts, Pennsylvania, and many other states, measures with a $1,500 "ceiling" have been enacted.

It is absurd to call it a ceiling. We know from experience that whenever death benefits are increased to a new plateau, that immediately becomes the floor. Not only will auto crash victims be charged high prices for funerals; all others will be forced to pay high prices, too.

Continental Association proposes that instead of a funeral allowance, a "survivor loss benefit" be written into the law; that money, in the form of a cash payment, could be spent by survivors in any way they choose—not necessarily on funeral and burial goods and services. Surely crash victims would prefer that the beneficiaries of their death be those whom they select rather than the local undertaker. If legislators bow to the funeral industry and do include funeral allowances in the "no-fault" bills the limit for all states should be $500 in government money, including Social Security, Veterans Administration, and other allowances.

It is sad and ironic that governments at all levels have heavily subsidized the death industry, ignoring the "final rights" of the dead and their survivors. The government's share of the nearly $3 billion-a-year funeral bill is high; Social Security and the V.A. now pay out more than $500 million annually, and local governments also pay out huge sums in direct grants to the funeral industry. There are also hidden costs, as indicated in the recent case of an 85-year-old Florida widow who was forced to go on welfare after her husband's funeral bill wiped out her modest assets, including a small house. That case is not unusual: similar unpublicized tragedies occur all the time.

Until recent years. the only concerted action taken to halt abuses by the funeral industry was that by the 500,000 volunteers in the 130 member societies of CAFMS. That movement began in 1939, when members of a Seattle church contracted with an undertaker to allow them to arrange in advance for simple and dignified services at a modest cost. Since then, others have been organized in 42 states; and in 1963, CAFMS was formed under the auspices of the Cooperative League of the USA. According to the basic pattern, society members receive for a lifetime fee of from $5 to $20 dollars the right to select their own funeral and burial arrangements. Prices vary, depending on the arrangements the societies have been able to make with cooperating undertakers, but are far below prevailing prices, between $150 and $400. (The cost of a complete adult funeral nationally is over $1,800.)

Recently, the non-profit organizations have been gaining support from a wide variety of organizations and agencies—particularly groups concerned with the problems of senior citizens, chief victims of the funeral rip-off. Consumer organizations support them; both voluntary groups and official agencies. Not surprisingly, so do church groups. Jerry Voorhis, former president of the Cooperative League of the USA and founding member of CAFMS, has pointed out that the movement has "important spiritual and educational values." As a consequence, all of the major religious denominations have endorsed or approved it.

It is very gratifying that some regulatory agencies and some legislators are not concerning themselves with the problem. High raise particularly, goes to the Consumer Protection Bureau of the Federal Trade Commission, which conducted a pricing study in 1973 and which last year released the first official figures on funeral costs ever provided.

Working together with its Canadian counterpart, the Memorial Society Association of Canada, principal goals are to insure a majority of consumer representatives on the state regulatory boards and to have adopted a uniform act giving people the right to determine the manner of their own disposition. (Presently, only in the State of California and the Province of Quebec is that right legally guaranteed.)

Meantime, the "no-fault" issue is a matter of greatest priority.

(Interested persons may obtain further information by writing to Mrs. Rebecca Cohen, Executive Secretary, Continental Association of Funeral and Memorial Societies, 1828 L Street, N.W., Washington, D.C. 20036)

FTC Proposes Rules For Funeral Industry

The Federal Trade Commission has proposed a trade regulation rule for the $2 billion funeral service industry that would require disclosure of price and other information and prohibit various exploitative, unfair and deceptive practices by the nation's 22,000 funeral homes.

In proposing the rule, the Commission declared that it has reason to believe that bereaved buyers are in an especially vulnerable position and that their vulnerability has been exploited by undertakers through a variety of misrepresentations, improper sales techniques, non-disclosure of vital information and interferences with the market. Such practices have, the Commission believes, inflicted substantial economic and emotional injuries on large numbers of consumers.

Copies of the proposed rule, the Commission's Statement of Reason, and a 150-page staff memorandum in support of the proposed rule may be obtained from Office of Legal and Public Records, Room 130, Federal Trade Commission, Washington, D.C. 20580. Proposals identifying issues of fact must be filed not later than October 28, 1975. The deadline for filing other comments in 45 days before commencement of public hearings, but at least until October 28, 1975. The times and places of public hearings will be published at a later date.

Announcing

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Consumers Applaud New Airline Charter Rules

Those much publicized "friendly skies" will become a little friendlier to consumers this month if the Civil Aeronautics Board's new charter flight regulations go into effect as scheduled in mid-September.

Despite enormous opposition from regular scheduled passenger airlines, the CAB gave its approval to "one stop inclusive tour charters" on August 8. Essentially, these charters are a package deal including round-trip flights and ground accomodations to foreign and domestic cities. The package prices, according to the CAB, are expected to be lower than current round-trip coach fares.

For example, according to the CAB, a Washington to Paris one stop inclusive charter seven day vacation package might cost $360. Currently, the price of an unrestricted round-trip ticket alone is $658.

The CAB's approval of one stop inclusive tour charters is a major victory for CFA. Shelby Southard, Chairman of CFA's Transportation Committee has been the driving force behind the campaign for inexpensive charter air travel since 1968. In fact, the CAB's decision echoes the actual language found in Mr. Southard's repeated testimony before Congressional committees and CAB proceedings for the past six years. Several CFA constituent groups such as the National Association of Senior Citizens, Consumers Union, NRECA, Farmers Union the National Education Association, the Cooperative League of the USA, and the Auto and Steelworkers have also been instrumental in the effort.

Air travel has traditionally been available only to the more affluent members of American society. CFA's policy resolution on transportation states, "Consumers need access to all forms of transportation and the right to spend travel dollars as they choose. CFA resents roadblocks placed on such travel by restrictions and complex rules of the CAB."

Trans World Airlines (TWA) is the only plaintiff in a suit to block the new rules from going into effect. Since the suit is expected to have little chance of success, a major roadblock to reasonably priced consumer ait travel has finally fallen.

Russian Wheat Deal cont. from p. 1

which attempt to increase prices under the wheat deal ruse.

The fact is that, according to the USDA, there was in 1973 only 4.1 cents worth of wheat in a 27.6 loaf of bread. Statistics reveal that there is in fact very little relation between the price farmers get for wheat and the price consumers pay for bread.

A bushel of wheat provides the flour for about 70 one-pound loaves of bread. A $1 per bushel value of wheat—or a change of $1 per bushel in the price of wheat—affects the net value of the wheat ingredients in a one-pound loaf of white bread about 1.2 cents. In other words, if the farm price of wheat increases $1 per bushel the net cost of the wheat ingredients in a one-pound loaf of bread increases about 1.2 cents. The net farm value of this wheat represented aout 15 per cent of the retail cost of the bread.

Nearly 9% of the cost of a loaf of bread goes last to packaging and advertising. At CFA's annual meeting January, a resolution was passed urging the government to investigate whether to end tax deductions for food advertising.

In June 1972, the month before the Russian wheat deal, farmers were getting 2.6 cents for the wheat in a one pound loaf of bread. In June 1975, farmers were getting 3.6 cents for that wheat,or an increase of one cent. Yet, bread prices at the retail level have gone up 10.9 cents per loaf during that same time period. Someone was making an exorbitant profit, and it wasn't the farmer.

This year's emergency farm bill, which CFA supported and which was vetoed by the President would have guaranteed wheat farmers at least $3.10 a bushel. The legislation might have cost the taxpayer some money, but the American tax system is at least progressive. The supermarket price is not, and projections are that food prices will rise another 10% this year.

Naturally, higher wheat prices will have some ripple effect through the processing, manufacturing and retailing sectors of our economy. The important thing to watch for is whether middlemen add a healthy chunk of profit along with their legitimate increase in the cost of the raw grain.

At a recent USDA briefing, Ms. Foreman charged Secretary Butz with having hired Marie Antoinette as his chief policy advisor. What is the consumers recourse to this "Let them eat cake" attitude? We can write our elected officials demanding action from the Council on Wage and Price Stabilization, and demanding the creation of an Agency for Consumer Advocacy which would give consumers a voice in major agricultural policy decisions. Finally we can vote our public officials out of office in 1976 if food inflation is not checked.

Patricia Cherry Joins CFA

CFA's State and Local Organizing Project has a new director, Ms. Patricia Cherry. Formerly the Legislative Director and lobbyist for Arkansas Consumer Research, Patty has most recently been working on a summer energy project for the National Consumers Congress. Through these activities, Patty has gained experience working with local consumer groups, fighting electric utilities and following state legislation. While at NCC she wrote a number of papers on citizen action including "How The Media Can Work For You."

Former Project Director Nick Apostola left earlier in the month to coordinate a statewide utilities campaign in Maryland.

"The Project is a big job for one staff person," says Patty. But she is confident that the Project's second year will be a good one. "I'm very excited about the possibilities. The State and Local Organizing Project will make a real contribution to local consumer action again this year."

This fall the Project will be embarking upon a number of new programs to encourage local consumer activism. The legislative clearinghouse will gather model bills and information to monitor the status of action on certain consumer issues nationally state by state. Copies of the bills and information will be sent out to groups beginning to work on the particular interest in their state. The clearinghouse can also be used to link groups up with others with the same concern. Four or five issues will be followed closely, including price marking legislation (UPC) and others to be determined by demand.

Other Project programs will include a survey of local group fundraising methods to be used to spread the ideas to new or distant groups; keeping in touch with folks, and the continued publication of "You've Got To Move."

Before joining ACR Patty was State Coordinator for Public Against 57, a coalition of 22 organizations opposing the most controversilal constitutional amendment on the 1974 Arkansas General Ballot. Amendment was defeated by a 7 to 1 margin.

Patty has a double BA in Political Science and English from the University of Arkansas.

Legislative Wrap-Up

No Fault

On July 8, 1975 CFA testified before the House Commerce Subcommittee on Consumer Protection and Finance in support of H.R. 1900 which is substantially similiar to the Senate version—S. 354. CFA did, however, recommend three changes to strengthen the legislation with respect to 1) an increase of the disability threshold; 2) a decrease of the subrogation deductible; and 3) the inclusion of a coordination of benefits provision. It is not expected that the No-Fault bills will come up in either House before October.

Universal Product Code —(H.R. 3126)

Introduced by Congressman Harold Ford (D-Tenn.), the bill presently has 71 cosponsors. Although hearings have not yet been scheduled, it is hoped that increased pressure on Chairman Van Deerlin will persuade him of the importance of early attention to this issue.

A hearing on the Senate bill, S. 997, introduced by Senators Frank Moss (D-Utah) and Warren Magnuson (D-Wash) has been scheduled for September 17th. This bill provides for mandatory unit pricing as well as mandatory item pricing.

On the state level, mandatory item pricing has become law in Rhode Island, Connecticut and Massachusetts and has been introduced in some two dozen states and cities.

Credit Discrimination —(S. 1959)

On July 15, 1975, CFA testified before the Senate Banking, Housing & Urban Affairs Subcommittee on Consumer Affairs in support of S. 1927, the Equal Credit Opportunity Act Amendments. These amendments would broaden present law so as to prohibit credit discrimination based upon age, race, color, religion, national origin, political affiliation, sex or marital status, or receipt of public assistance.

A redraft of that legislation incorporated some of CFA's recommended changes but unfortunately encompassed some weakening language as well. CFA has submitted additional comments in strong opposition to those changes.

Antitrust Improvement Act of 1975—(S. 1284)

The bill was reported without recommendation (a parliamentary device to move the bill to the floor) by the Antitrust and Monopoly Subcommittee of the Senate Judiciary Committee just before the August recess. It is anticipated that the bill will be considered in executive committee in late September. It is not known whether Senator Strom Thurmond (R-SC) will seek to delay the bill by introducing his labor amendment as a filibuster tactic.

Industrial Reorganization Act

Hearings will be scheduled in the fall on legislation jointly introduced by Sen. Philip Hart (D-Mich) and Sen. Birch Bayh (D-Ind.) This legislation will focus on a decontrol of the energy industry using the principles of Hart's Industrial Reorganization Act.

National Health Insurance

Sen. John Tunney's (D-Calif) recent decision to abandon sponsorship of the National Health Insurance legislation of which he has been a champion, has met with the vigorous disapproval of the Committee for National Health Insurance of which CFA is a member. Efforts to persuade Senator Tunney to reconsider this decision have mounted.

Beef Research and Consumer Information Act—(H.R. 7656)

H.R. 7656, to which CFA is opposed, was approved by the full committee before the August recess and is not likely to be considered by the House until late September at the earliest. CFA's opposition is based upon its conviction that: 1) the legislation equates consumer education with advertising and sales promotion and contributes nothing to help consumer representation on the 68 member Beef Board; 2) there is a total absence of consumer representation on the 68 member board; 3) there is no specific provision for meaningful research into the desirability of producing grass-fed and leaner beef; 4) the economic hardships currently being experienced by this country's cattle producers indicate that any assessment for Beef Board activities will ultimately be borne by consumers.

Farmer-to-Consumer Direct Marketing Act of 1975—(H.R. 7488)

On July 23, 1975, CFA testified in support of this legislation before the House Agriculture Subcommittee on Domestic Marketing and Consumer Relations. This legislation encourages cooperation between farmers and consumers 1) by giving consumers the opportunity to purchase many fresh, locally-grown goods at a reduced cost; 2) by giving farmers a more equitable percentage of the food dollar; and 3) by encouraging the establishment of regional markets which would help eliminate wasteful policies.

Consumer Product Safety Commission Improvement Act of 1975 —(H.R. 6844)

On September 17, 1975 the House of Representatives will resume consideration of H.R. 6844. Three weakening amendments are anticipated, all of which are opposed by CFA. The amendments deal with 1) compliance by classification rather than specific product; 2) the ability of the commission to represent itself in civil litigation without relying on the Justice Department; and 3) the flexibility to use the Consumer Product Safety Act (CPSA) on an equal footing with other acts administered by the Commission.

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