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consumer federation of america

Washington, D.C.

October, 1975

Announcing Consumer Assembly '76

Consumers, Concerns & Candidates

The 1976 elections will be the crucial determinant of the state of the American consumer for the next four years. Each presidential candidate has the obligation to develop a meaningful platform which includes specific programs relating to consumer rights in government and in the marketplace.

Consumer Assembly '76 to be held January 21-24 at the Statler Hilton Hotel in Washington, D.C., will be an open forum in which major presidential candidates will detail their consumer platforms for '76. An audience composed of the nation's leading consumer advocates and officials will be present to evaluate the positions, offer suggestions, and raise critical questions on strengthening consumer rights.

The goals of Consumer Assembly '76 are the development of a meaningful consumer platform for the coming elections

and obtaining endorsement of that platform from all candidates.

Consumers have the responsibility of formulating rational priorities on issues such as energy, food, housing, finance, health and safety. They have the further responsibility of making their views known to the people who seek to be their leaders. Consumer Assembly '76 will provide the mechanism for open, honest exchange between consumers and candidates.

This is the time to reestablish national priorities toward more equitable treatment of the American consumer. Now, while the presidential race is young, while the party platforms are open to new ideas, and while consumer anger and frustration is at an all time high, consumers are more committed than ever to the need for coming together in assembly to address the vital issues of the day.

Consumer Assembly '76 will also feature a series of afternoon workshops for state and local consumer leaders from both government and private sectors. A questionnaire designed to give local leaders the opportunity to determine the directions of these workshops has already been mailed. In an attempt to make Consumer Assembly '76 a useful tool for the further education and development of our constituents, CFA urges all interested parties to contact us with ideas and suggestions on workshop topics, content and participants.

Mr. William Hutton, CFA Board Member and executive director of the National Council of Senior Citizens has been named chairman of Consumer Assembly '76.

Pre-registration materials will be mailed next month. Make sure you reserve the dates now for Consumer Assembly '76 — "Consumers, Concerns and Candidates."

Focus On Local KonsumerS

This month: Arkansas Consumer Research

Arkansas Consumer Research is a unique organization. Founded in 1971 in a state traditionally known for closed door decision-making and widespread poverty, ACR could be considered a success simply by surviving. But traditions were being broken in Arkansas in the late sixties and early seventies and ACR encouraged and flourished in this climate of change. ACR began with one full-time employee in a small office as an adjunct to another organization. It is now an independent organization with a staff of six full-time and three part-time employees and over five hundred members throughout Arkansas.

As its name implies ACR has emphasized research projects that will make the marketplace more responsive to consumers. In four years ACR has researched and effected reforms in areas such as prescription drugs, utility practices, insurance sales and advertising, food prices and many others.

At ACR's beginning in 1971 the four year administration of Governor Winthrop Rockefeller had just ended and a political unknown — Dale Bumpers — had taken over the governor's chair. Ironically, Rockefeller, a son of John D. Rockefeller who became fabulously wealthy as a result of his oil holdings, introduced a new era of responsiveness in state government. Regulatory commissions which had previously enjoyed a free flow of personnel between industry and government began to be composed of men and women with the interest of the public foremost in mind and not the perpetuation of profits. With Dale Bumpers (now Senator Bumpers) state government continued to improve. With this atmosphere in government ACR was able to make a case for the consumer.

ACR undertook to study the Arkansas Consumer, his or her needs and avenues for remedying the ills of the marketplace. Arkansas is a very poor state, so Arkansans spend a large part of their income on the necessities of life: food, shelter, health care, utilities clothing, transportation and the like. Arkansans needed immediate relief from the financial burdens of unnecessary and increasing bills for these basics. ACR proved its right to represent Arkansas consumers and its ability to present a strong, factual case for them in its first two years of existence by actions such as these:

— a suit against Southwestern Bell Telephone Company before the state Public Service Commission challenging Bell's sales practices, deposit requirements and termination notices. As a result of the case the PSC ordered SW Bell to inform consumers of the availability of low cost telephones as well as the expensive "packages" of trimlines and princesses the utility had previously been encouraging customers to order. Bell now must follow a set formula for determining the amount of deposit paid instead of arbitrarily demanding high deposits from customers; the telephone company must also inform potential customers of the possibility of a guarantor agreement instead of paying a deposit.

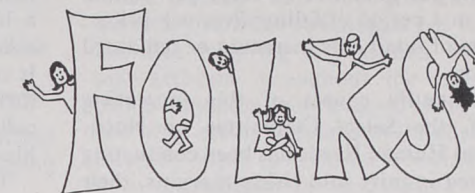
— testimony before the Arkansas Transportation Commission opposing a five percent rate increase request by intrastate bus companies. The commission refused the increase, saving Arkansans some \$145,000. In Arkansas, as in many places, public buses are often the only means of transportation between cities for the elderly, the poor and the physically disabled.

— supported and gave aid in drafting a bill providing for a three-day cooling off period on door-to-door sales in the Arkansas Legislature. The legislation passed, giving Arkansas consumers a bit more leverage against high pressure salesmen who often use deceptive methods in securing a consumer's signature on a contract.

— testimony before the Insurance Commission and discussion of regulations with commission staff to provide guidelines for mail order insurance advertising, and regulations providing for price disclosure in life insurance sales. ACR was often the only consumer representative at commission hearings. These regulations were adopted providing a great benefit to Arkansas' large retirement population which was most often the target of unscrupulous health and life insurance sales people.

— conducted a statewide price survey and research project on prescription drugs. The published report on the project was subsequently used as a basis for legislation striking down the advertising ban on prescription drugs and allowing for generic substitution of drugs — measures which could save Arkansans hundreds of thousands of dollars on their pharmaceutical bills.

(Continued on Page 3)



consumer assembly 76

candidates

concerns

consumers

cast your ballot for consumer rights meet the presidential candidates hear their platforms

January 21-24 statler hilton washington

SUPREME COURT DECISION SPELLS VICTORY FOR CONSUMERS

The Supreme Court, on October 14, declined to review the decision of the U.S. Court of Appeals on the 180-day emergency sales of natural gas, thus leaving in effect the Court of Appeals decision holding that such sales are illegal.

The suit was originally brought jointly by the Consumer Federation of America, the American Public Gas Association, the American Public Power Association, and the National League of Cities-United States Conference of Mayors.

This is an important victory for consumers, who argued that the 180-day emergency sales ruling by the FPC was tantamount to deregulation by administrative fiat, that it would do nothing to increase supplies of natural gas to the interstate market, and that it would further erode the consumer protection standards of the Natural Gas Act.

The Food Price Mess — are we making any progress?

the government's role
by
Senator George McGovern (D-S.D.)

CFA urges action in Senate testimony

During the past three years, and particularly since the elimination of price controls in 1973, price increases on retail food items have been rapid. Indeed, prices in the food sector have generally risen at a substantially higher rate than prices in other areas of the economy. They have been a major force in the high level of inflation during this period. Moreover simultaneous rising food prices and reduced real income inevitably undermines the nutritional health of the nation.

For example, the retail price of beef increased from an average of \$1.20 per pound in early 1973 to an average of \$1.36 per pound in 1974. During the same period, the price paid to feeders dropped from 44 cents per pound to 36 cents per pound. Thus, in a period of falling livestock prices, the cost of retail cuts increased or remained constant.

To identify causes of this increasing spread, the Select Committee on Nutrition and Human Needs has been conducting a limited inquiry into rising margins, their origins, and the role of the Federal Government in monitoring and regulating the food pricing system. The results of that inquiry have been depressing. As Ms. Ellen Haas of the Consumer Federation testified at recent hearings, the "agencies which have been charged with fact finding are substituting half-truths, deceptions, excuses, and apologies for vital data and action."

Equally depressing was the testimony of Charles Mueller, former Counsel to Federal Trade Commissioners Everett MacIntyre and Mayo Thompson. Mueller concluded that under existing laws, "the simple truth of the matter is that the Federal Trade Commission is not going to bring effective competition to the monopolized portions of the food industry any more than it is going to bring effective competition to any of the other monopolized industries in America. It was not designed for any such heroic role and does not have the resources — either financial, technical, or political — to take it on." Mueller ended his testimony with these disquieting words: "There is indeed monopoly in the food industry, Mr. Chairman, and it exacts a high price there as it does in scores of other industries in the American economy. It can be cured in only one way: By restructuring those industries to the point where collusion, explicit or otherwise, is not feasible over a substantial period of years."

The consumers of America must take the initiative rather than waiting for Congress to act on its own. The first priority is to support, and to demand of Senators and Representatives that they pass Senator Philip Hart's Industrial Re-organization Act, S.1959. The members of the Consumer Federation of America should speak for the consumer now in favor of this vital legislation.

Co-ops offer consumer alternatives

At a time when consumers' real needs are often overshadowed by the interests of profit-hungry corporations, several consumer-oriented co-operatives are offering a welcome alternative to standard supermarkets. By purchasing a share in a co-operative corporation, a shopper becomes a member entitled to benefits such as a voice in decision-making and a return on all profit.

Capital Plaza Co-op Supermarket in Maryland, one in a chain of co-ops run by Greenbelt Consumer Services, has recently turned into the site of one of the most innovative co-operative projects. The purpose of the program, as explained by director and consumer ombudsperson Ellen Zawel, is to provide members and other customers with the information necessary to make educated decisions about food purchases, in keeping with their budgetary and nutritional needs.

At the very front section of the store, the shopper will see a display of "Lifeline" items, those foods which offer the best nutritional and economic value each week. Lifeline foods are highlighted by in-store cooking demonstrations using these same products as their basis.

In order to eliminate the unnecessary added cost to consumers of prepackaging, the Co-op is encouraging patrons to serve themselves from crocks of assorted fresh grains, flour and spices.

Also, brightly-colored shelf-card messages are posted throughout the store, evaluating different products in terms of their food content.

Another innovation gives shoppers accompanied by small children the time they need to pay extra attention to foods he or

she is purchasing. While parents shop, children can entertain themselves creatively with paper, crayons, clay, etc. in the Co-op's childrens' corner.

Although the project is enjoying an auspicious beginning, it is far from completion; coordinators hope to incorporate many new ideas into their program in the future. Community support is urged to insure continued success at the Capital Plaza center.

This market, along with nine other stores which make up the Greenbelt chain, are very much like the Consumers Cooperative of Berkeley, another CFA member. This well established enterprise, composed of eight centers in the San Francisco Bay area, is a working example of the vast array of community services a co-op can ultimately provide. In each of these grocery centers, a home-economist is on hand to assist shoppers with nutrition and meal planning. Other Berkeley stores extend inventory beyond groceries to include such items as furniture, hardware, appliances, drugs, and clothing. The Co-op is also responsible for the operation of four gasoline stations in the Berkeley area.

Many other services are offered, all with the underlying precept that consumers should have the opportunity "to own and control the businesses which serve them."

For further information, contact:

Greenbelt Consumer Services Inc.
8547 Piney Branch Road
Silver Spring, Maryland 20909

Consumers Cooperative of Berkeley
1417 University Avenue
Berkeley, California 94702

Citing a need for a comprehensive report on the market structure of the food industry, Ellen Haas, member of the Board of Directors of Consumer Federation of America, speaking before the Senate Select Committee on Nutrition and Human Needs chaired by George McGovern (D-South Dakota) called on Congress to create a new commission on food marketing.

"It has been almost 10 years since the last major study was completed," Haas said, "we suffer from a lack of government formulated national food policy." She recommends that the new commission have public membership including proportional consumer, farmer and industry representation. In addition, it should have the power to hold public and private investigating hearings that would have subpoena power and the authority to impose perjury charges and heavy fines to unresponsive witnesses.

Haas criticized the Federal Trade Commission, the Department of Agriculture and the Department of Justice for their inability to do anything substantive about food costs. "A serious impediment stands in the way of developing any national food policy — and that is the lack of adequate information resulting from the industry's ability to retain a 'sacred cow' status which protects their secrets from outside scrutiny."

The F.T.C., Haas charges, has released two dangerously inadequate studies which exonerate supermarkets and four basic food lines from all charges of profiteering. She questions the timing of one report which excludes conglomerates and the vertically integrated industries. She notes that the report excludes Wonder Bread, the largest baking company, because it is owned by ITT. Since ITT does not have 70% of its business in the food industry, which was the criteria used in the compilation of the report, the bread was excluded.

The Department of Justice is another agency that has frustrated consumers by its total lack of action in many regulatory matters. "Where was the Department of Justice when a group of private citizens were forced to sue A & P for price fixing?" Haas questioned. She added that the Department did not obtain or check any of the data which led to a \$32.7 million anti-trust jury award to a group of cattlemen in that A & P suit.

Haas was most critical, however, of the United States Department of Agriculture which she believes gives consumers, "benign neglect, contempt and a load of rhetoric about how we never had it so good." The U.S.D.A. estimates that the average family of four spends 16% of its disposable income on food. The Christian Science Monitor, however, indicates that families with an income of \$9,200 have to spend nearly 40% of disposable income on food. The Monitor estimates that a family would have to make close to \$20,000 before they would spend only 16% of their income on food.

The U.S.D.A.'s report of Farmer-Retail price spreads has also been criticized. "For example," Haas said, "the spread on an annual market basket rose to \$1,005.52 from \$837.43 in 1973 — a shocking increase of 20.2%. During the period from January to March 1975, farm values decreased while the spread increased even more." This information alarms the consumer but U.S.D.A. statistics offer little relief. They do not tell if an industry is efficient, competitive, progressive or responsive to consumer demands. What is needed, Haas says, is information that evaluates the performance of industry.

Haas outlined several recommendations that would help improve the U.S.D.A.'s reporting system. The methodology used for estimating the profit component should be corrected so that margin and profit data at each stage of the marketing chain is available. Infrequent reports and the lack of regional breakdowns were also cited as weak points in the reporting system.

Other areas that needed improvement, Haas reported, were the reporting of information, which she believes should not be done only on a voluntary basis, and the classifying system which puts all too many products in a miscellaneous catch-all category called 'unallocated.' In addition, she said that the U.S.D.A. should be required to investigate and analyze all evidence of restraint of trade.

"Frankly," Haas stated, "consumers don't believe the government will help them solve our national food crisis. I hope that if the plan I have proposed is acted upon, some of this confidence may return."

Conference on Milk Prices Set For December

A two-day workshop on the milk marketing system, sponsored by the Community Nutrition Institute is scheduled for December 4th and 5th in Washington, D.C.

The Conference will focus on the question of whether the marketing system for milk is working well enough to effectively serve all those who participate in it, and are responsible for its stability and operation. Recent studies by the Justice Department and the Federal Trade Commission indicate that consumers are hurt by the system. The Department of Agriculture, on the other hand, is far more sanguine in its analysis of whether the system is malfunctioning.

The Conference will review these recent studies, as well as various papers which will be presented at the Conference. Discussion will focus on the Two-Tier Pricing Structure, Undue Price Enhancement and the Mega-Coop. In addition the Council on Wage and Price Stability will present a report, prepared for the Conference with the Public Interest Economic Center, reviewing recent analysis of the federal order system.

Issue panels on the specific problem areas relating to the marketing system for milk will include representatives of all pertinent Federal agencies, as well as representatives from consumer, producer and industry groups.

Advance Registration for the two-day conference is \$75.00. For more information and a complete program — Contact Ellen Haas, Conference Director, Community Nutrition Institute, 1910 K Street, Washington, D.C. 20006.

Editorial

Proxmire puzzling on RESPA

Senator Proxmire's recent participation in the drive to scrap the advance disclosure requirements of the Real Estate Settlement Procedures Act (RESPA), has Consumer Federation of America stumped. Under RESPA, lenders are required to provide the settlement costs to borrowers twelve days in advance of settlement.

Often a tower of strength on consumer issues, Mr. Proxmire has frequently fought a lonely consumer battle against the banking industry and against his colleagues in the Senate. When RESPA (the dream-child of industry), was first conceived, neither Proxmire nor consumer groups embraced it with enthusiasm. Rather, it became increasingly apparent that both politically and from a consumer viewpoint, it was preferable to the Brock proposal which would have killed HUD's ability to regulate settlement costs. Despite its rather third-rate approach to the underlying problems in the settlement rip-off, it did have within its scope at least two major advances for consumers: a prohibition against kickbacks and mandatory advance disclosures of settlement costs.

The law was passed and became effective in June. Then in mid-September, less than three months after RESPA became law, a momentum was building to shelve RESPA. The scenario that unfolded is intriguing at best. CFA was invited to participate in hearings scheduled by Mr. Proxmire to determine how RESPA was working. We attacked any premature, piecemeal destruction of RESPA and pointed out the senselessness of any compromise which included a wholesale abandonment of advance disclosures.

In the days following the hearing we communicated to Proxmire's staff our sincere desire to initiate and/or actively support any effort toward a speedy, reasonable compromise which would accommodate the legitimate concerns of lenders while preserving some form of meaningful advance disclosure.

On September 25th, CFA delivered a letter to Proxmire requesting a 30-day suspension of formal committee consideration of RESPA, and outlined the interested

groups we sought to include in a compromise coalition. A handful of possible approaches to solving the RESPA problems was also described. In response we were told by Proxmire's staff that although a 30-day suspension was impossible, assurance was given that no action would be taken for at least one week and that during the following week, the staff would meet with HUD representatives to hammer out compromise language. The staff would then meet with us and with representatives of the lenders to hopefully resolve any lingering differences.

Senator Proxmire's staff spoke for him and we assumed that the commitment would be honored. Our assumption was buttressed by a "Dear Colleague" letter sent by Proxmire to other Banking committee members which indicated that the staff and HUD representatives would soon be tackling suggestions.

Yet, less than 48 hours later, while CFA was proceeding with its commitment to organize a compromise coalition, Senator Proxmire agreed to schedule RESPA for committee mark-up the following day. The commitment was not honored and no attempt was made to let us know that Proxmire had reneged. The mark-up resulted in a unanimous agreement to repeal Sections 4, 6 and 7 (including advance disclosures) for one year.

The plan was to bring the matter to the Senate floor within 48 hours attached to a resolution related to the Federal Reserve Board and then put it immediately through the House under a suspension of the rules. All of this steamrolling occurred on the eve of good-faith compromise discussions aimed at reason. For non-substantive reasons, the issue did not reach the Senate floor for the next three days. Meanwhile, CFA was urged by Proxmire's staff to pursue compromise discussions. The Banking Committee staff met with HUD on Monday, October 6th, and worked out specific legislative language which, as orally described to CFA, was likely to be endorsed by all affected by RESPA.

The compromise legislation was just being distributed to Senate Banking mem-

FOLKS (Cont. from p. 1)

In its second two years ACR has become even more active in its role as utility watchdog and consumer representative before the Public Service Commission in matters of utility rates and corporate practices that hurt the taxpayer. Today ACR has a staff member working exclusively on utility mat-



ACR director Glenn Nishimura looks over key documents

ters and groups interested in supporting such legislation, when the repeal was being voted on by a voice vote.

Assurances by the Senate principals that the repeal was a good-faith effort toward compromise were suddenly exposed as untrue. Proxmire was not a leader on reasonable compromise but rather assumed an active leadership role in seeing that advance disclosures were tossed aside and further assumed a leadership role in having the repeals pushed through the Senate. Originally characterized as the victim of political realities, it became apparent that Proxmire was not seizing a golden opportunity to bring consumers and lenders together. The entire episode has left CFA extremely puzzled. There is a major question mark left hanging?

We wonder why Mr. Proxmire wasted our time when he never favored a reasonable compromise. We wonder if RESPA is a temporary aberration or if he will continue to side with the banks against consumers?

ters and has succeeded in saving Arkansans from the previously unchecked spiral of ever increasing utility bills by presenting expert testimony contradicting the utilities' claims for higher and higher rates.

ACR has also moved into the field of food prices and supermarket practices. The Arkansas Gazette, the newspaper with the largest statewide circulation, published ACR's weekly price comparison survey of supermarkets in the Little Rock area during four months in 1974 and 1975. In the summer of 1975, ACR conducted a statewide food price and advertising practices survey and is preparing to publish the results in the near future. ACR staffers participated in Food Day in April of this year and have met with supermarket executives in Arkansas to encourage unit pricing, nutritional advertising and sale of locally grown products.

The staff at ACR feels that these and other projects not only give immediate monetary relief to Arkansans but that they are also fostering a consumer awareness and activism throughout the state. Consumer Research, now assured of its survival and of its ability to represent the consumers' interest, hopes to continue growing in this new atmosphere of government responsiveness and community awareness.



Andy Baldus, Martha Collar and Tim Holcomb look into the files

Congress nearing decisions on omnibus energy package

The omnibus Congressional energy package, a product of 10 months of work, will be finalized by the Conference Committee the week of October 20. The package, composed of one House and four Senate bills (H.R. 7014, S.622, S.677, S.349, S.1883), attempts to balance the nation's energy conservation possibilities and production needs and select an oil price equitable to the consumer yet sufficient in incentive for the producer.

While President Ford's energy program relies upon fiscal policies to achieve increased production and reduced consumption, the Congressional philosophy has been to achieve the same goals through more equitable and efficient means. Mr. Ford's proposed 30¢ per gallon additional gasoline tax was rejected by Congress, and the omnibus bill includes a program to physically reduce the availability without causing gasoline station lines or other disruptions. Both programs would reduce energy use, but Congress believes the latter is more equitable and consistent with the voters' thinking.

The Conference will reconcile differences between the House and Senate versions of language relating to industrial, appliance and automobile efficiency standards intended to decrease consumption of energy by several percentage points or the equivalent millions of barrels of oil per day by 1980. Another method of petroleum conservation included in these bills is the stipulated conversion from gas and oil to coal burning in boiler plants. Also included are Presidential powers for forced conservation during energy emergencies, and the encouragement of state conservation programs including car-pool systems, traffic control

alterations, building codes, lighting guidelines and limited use of governmental cars.

Energy production is approached in several ways. The bills contain authority to force oil well owners to produce at the maximum efficient rates of production. The mining and use of coal from deep mines is subsidized. The federal government is authorized to establish a strategic reserve containing between one-billion barrels of petroleum and 90 days of national use in case of future import embargoes.

Oil Pricing

The most controversial measure of the conference will be the oil pricing section. Currently, H.R. 7014 maintains the price of old oil at \$5.25 per barrel and sets new oil at \$7.50, \$10.00 and \$11.50 per barrel depending upon the grade and cost of production. S.622 also sets old oil at \$5.25 per barrel but puts secondary production at \$7.50 and fixes a new oil price ceiling at \$11.50 per 42-gallon barrel. Currently, old oil is price controlled at \$5.25 and new oil is uncontrolled and fluctuates with the OPEC import price of around \$13.50 today.

The oil price compromise will be strategically important for the future of the bill, the Congressional energy program, and the Democratic Congress. It is critical to the future price of gasoline, home heating oil and virtually every other commodity purchased in the country. At stake are billions of dollars of consumer spending per year and the single most politicized issue in the continuing marriage-separation relationship of the President and Congress. Not only will this pricing policy affect consumer oil costs directly

but the price of oil sets the peg for natural gas pricing and legislative policy, for the pricing of coal, and it will affect the assessment of synthetic fuels' price feasibility.

Other important provisions are the General Accounting Office authority to, in certain cases, audit energy industry accounting procedures and information supplied to the federal government. A section of the final bill will deal with the prohibition on the top six oil and gas companies from entering into joint bidding ventures in the OCS. Another item provides the President with authority to purchase by sealed bids the oil the United States imports and then to sell that oil to domestic refiners.

The Conference bill will be long and controversial. Some predict that a compromise on oil pricing can be reached which will generate sufficient Hill support for veto-override or at least enough support to force the President to sign the bill fearing voter backlash if he refuses. The bill must be sent to the White House by November 15, when the 60-day extension of price control authorities terminates. Between November 1st and the 15th, the President may submit to Congress a plan of his own for oil price decontrol and thereby attempt to duck the entire matter.

Regardless, the bills in Conference reflect months of intense Congressional work, are a framework of the Democratic energy policies, and are, for the most part, in direct philosophical and political opposition to the Administration policies.

Legislative Wrap-Up

Agency for Consumer Protection

Non-stop lobbying efforts continue as the House vote on ACP (HR7575) approaches. It is expected that it will be considered in late October or early November. Confident that a two-thirds veto-proof vote will be attained, CFA is nonetheless exerting every effort to assure the strongest possible vote.

Farmer to Consumer Direct Marketing Act of 1975

The Farmer to Consumer Direct Marketing Act of 1975, H.R. 7488 was reported favorably from the Subcommittee on Domestic Marketing and Consumer Relations of the House Agriculture Committee on October 7. The final subcommittee version included several strengthening amendments which would require the State Departments of Agriculture and Agriculture Extension Service agencies to take into account consumer needs and preferences when planning direct marketing programs. CFA testified in favor of the bill, which has been re-introduced with an expanded list of co-sponsors. Full committee mark-up is scheduled for October 23.

Beef Research and Information Act

Intense lobbying by American National Cattlemen's Association and the passionate support of House Speaker Carl Albert (D-Okla) resulted in House passage of the Beef Research and Information Act, H.R. 8140, on October 2. The bill, which was actively opposed by CFA, would set up a fund of approximately \$60 million annually to be used by cattlemen to promote the sale of beef. CFA argued that the cost of the Board's activities would be passed on to consumers when the market allowed, yet consumers would have no input into policy making or setting priorities. The bill now goes to the Senate where it has 42 co-sponsors.

Warranties

On September 15, CFA presented testimony before the FTC on their proposed rules implementing the Magnuson-Moss Warranty Act. Generally supportive of the regulations, CFA nonetheless urge several improvements.

- 1) Disclosure of what the consumer must *not* do so as to forfeit the right to enforce the warranty because of "intended use" or "abuse of the product."
- 2) The burden of securing a copy of the warranty should be on the merchant — not the consumer.
- 3) The finding of informal complaint handling mechanisms should either be binding on the warrantor or should establish a *prima facie* case for the consumer, thereby shifting the burden of proof to the warrantor.
- 4) Staff and members of the mechanism should not have been employed by the warrantor in any capacity for the past three years and cannot be hired by the warrantor for three years following their participation in the mechanism. Members should not be allowed to have even an investment interest in the warrantor.

FIA — Financial Institutions Act, S.1267

Mark-up of the FIA was completed in the Senate Banking Committee. Unanimous approval was given for the payment of interest on checking accounts by all financial institutions beginning January 1977. Also approved was the expiration of Regulation O (interest rate ceilings) in 5 1-2 years. Other provisions include:

— both savings and loan associations and credit unions will be permitted for the first time to offer checking accounts.

— NOW accounts, which are similar to interest bearing checking accounts but which are presently limited to Massachusetts and New Hampshire, would now be permitted to be offered nationwide.

— Savings and loan associations would also be granted substantially broadened lending and investment powers, including consumer loans, credit cards, and personal trust services.

— Credit unions are also granted substantially broadened lending and investment powers, including the authority to offer new types of deposit accounts, home mortgage loans, lines of credit, and longer loan maturities.

— New types of Federal savings institutions are being established, including stockholder owned savings and loan associations and Federally chartered mutual savings banks. Presently mutual savings banks are restricted to State charters only.

Ceilings on FHA and VA loans are abolished along with "points" which mortgage borrowers have had to pay to lenders to compensate for the difference between FHA and VA rates and conventional mortgage rates.

— A new mortgage investment tax credit was approved in concept for all financial intermediaries devoting money for mortgage loans. This provision, which would, in addition to financial institutions, pertain to such entities as life insurance companies, trust funds, pension funds, and the like must await approval by the tax-writing committee in Congress.

Credit Discrimination

Prior to mark-up of S.1927, a bill to expand the Equal Credit Opportunity Act Amendments, its sponsor, Senator Joseph Biden (D-Del.) withdrew support for the original language of his bill which would have required lenders to automatically furnish a written statement indicating the reason(s) for a rejected credit application. The earlier effort to prohibit discrimination based on receipt of public assistance was redefined so as to exclude welfare recipients. Finally, an exemption as to business loans was inserted. CFA will be working hard to have these weakening provisions dropped at the full Senate Banking Committee mark-up likely to occur in early November.

No-Fault

Although S.354 has been on the calendar since mid-summer, is not expected to come up for a vote until at least early November. Meanwhile in the house, mark-up sessions

drag on several No-Fault bills. A minority of the Subcommittee on Consumer Protection and Finance of the House Commerce Committee has been enjoying every conceivable stall device. The most recent no-fault bill, HR 9650, introduced by Chairman Van Deeren (D-Calif) is substantively closest to S.354 and has the support of the National Committee for Effective No-Fault, including CFA.

Status of Natural Gas Legislation

The Senate began debate on September 26 on S.2310, "The Natural Gas Emergency Act of 1975" sponsored by Senators Hollings, Glenn and Talmadge. The purpose of this legislation is to provide authority to the FPC, primarily, to deal with upcoming natural gas shortages this winter. In the hope of focusing the debate on short-term emergency measures only, the Senate's Democratic leadership agreed that upon completion of S.2310, they would take up discussion of S.692, the Senate Commerce Committee's long-range natural gas legislation.

The Democrats had hoped that by getting the Senate to vote on emergency legislation, they would have defused the Administration's argument for swift passage of legislation decontrolling the price of natural gas. While the Administration has said that it favors some kind of short-term emergency bill, it has in effect worked to get the Senate to act on both short and long-term legislation. The strategy of those senators supporting decontrol is to use the emergency legislation as a vehicle for total deregulation.

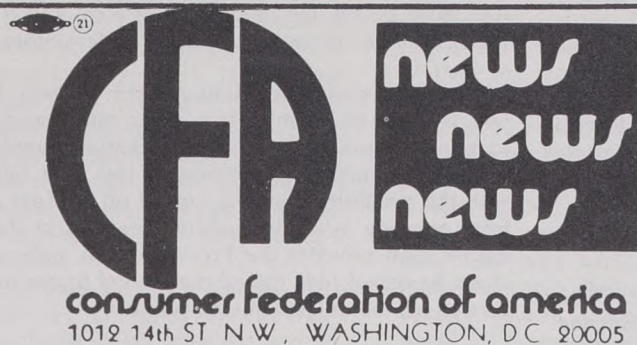
With this in mind, the decontrol forces were able to get a roll call vote on Wednesday, October 1 on whether to table an amendment introduced by Senator Paul Fannin (R-Ariz.) which would have deregulated the price for all sales and deliveries of natural gas after July 1, 1975 on a permanent basis. This amendment was tabled by a vote of 57 to 31. This defeat set the stage for the major assault by the deregulation advocates. Senators Pearson (R-Kan.) and Bentsen (D-Texas) introduced their amendment as a substitute for S.2310, which not only contained some provisions for short-term emergency but which would also deregulate the price of new natural gas produced on-shore and phase-out regulation of new natural gas produced in Federal offshore areas on a long-term permanent basis.

On the afternoon of October 2, there was a vote to table the Pearson-Bentsen amendment. It failed by a vote of 50 to 45.

What is the outlook for S.2310?

It appears likely that the Pearson-Bentsen forces have the strength to pass some form of deregulation. There will be continued attempts to strengthen the Pearson-Bentsen amendment, and a possible filibuster is being discussed by the Democrats.

However, even if the Pearson-Bentsen bill passes, it is unlikely that support will be found in the House of Representatives. House leaders, such as Rep. John Dingell and Rep. John Moss, are totally opposed to deregulation of natural gas. Rep. Dingell, chairman of the Energy and Power Subcommittee, has indicated he will not permit emergency and long term legislation to be linked together.



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