



news news news news

consumer federation of america

Washington, D.C.

April 1976

CFA Awards Dinner Set for June 1



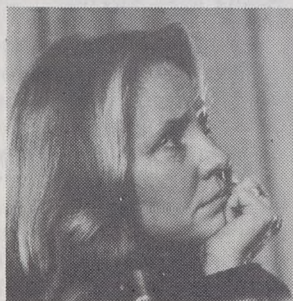
Sen. Frank Moss

Senator Frank Moss, Robert and Lola Redford and Betty Furness will be honored for their outstanding contributions to the American consumer at the Sixth Annual Awards Dinner of Consumer Federation of America on Tuesday, June 1 at the new Hyatt Regency Hotel in Washington, D.C. In addition, CFA will give a special farewell tribute to Representative

Leonor Sullivan. All honorees will be in attendance.

Senator Moss will be presented CFA's Distinguished

Public Service Award which traditionally honors an elected public official. As Chairman of the Consumers Subcommittee of the Senate Commerce Committee, Utah's Senator Moss has vigorously advocated a wide variety of consumer legislation. He cosponsored the act which created the independent Consumer Product Safety Commission. The



Lola Redford

Moss-Magnuson Warranty Act/FTC Improvements Act which bears his name has expanded the enforcement powers of the Federal Trade Commission and provided warranties for the majority of consumer products.



Robert Redford

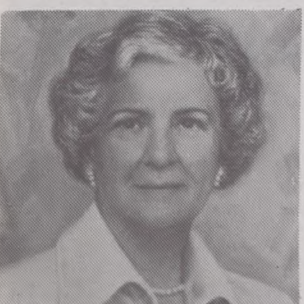
Senate floor leader of the efforts to enact national no-fault automobile insurance, Senator Moss also cosponsored the Consumer Protection Agency Act and the legislation which banned television advertising of cigarettes. Another of his special interests, improving product and food labelling, has resulted in passage of the Consumer Product Testing bill, and introduction of the

Price Disclosure Act which would require mandatory item pricing of all packaged consumer commodities.

Robert and Lola Redford have been selected to receive CFA's Distinguished Consumer Service Award which is presented annually in recognition of private citizens who have made significant contributions to the interests of consumers. The Redfords are founders of the Citizen Action Fund, which was recently formed to arrange fundraising projects for public interest groups throughout the country which lobby. Since lobbying organizations are not tax exempt, they have extreme difficulty securing adequate contributions. The Redfords' efforts are a major step toward providing the much needed stable funding source necessary for effective public interest representation.



Betty Furness



Leonor Sullivan

The Citizen Action Fund was organized by Consumer Federation of America and four other national consumer and environmental groups. The Fund's first project was a series of premiere showings of "All the President's Men" in twelve cities throughout the country. Proceeds from the premieres went to more than

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consumer federation of america

cordially invites you

to its

sixth annual awards dinner

in honor of

senator frank moss,
robert and lola redford,
betty furness

with a special farewell tribute to
representative leonor sullivan

hyatt regency hotel
regency ballroom a
400 new jersey avenue, n.w.
washington, d.c.

tuesday, june 1, 1976
reception at six-thirty

Grocery study admits need for item pricing

Consumer Federation of America won a major victory on March 23 when the grocery industry released a study on the Universal Product Code which included the recommendation that individual items continue to be pricemarked. The study, conducted by researchers from Michigan State University and the University of Vermont for the Ad Hoc Committee of the Grocery Industry for the Development of the UPC, found significant differences in consumer awareness between conventional stores and those which have converted to UPC and eliminated prices from packages.

CFA applauds the grocery industry's recognition that consumers benefit from this basic price information. A recommendation, however, is only that. CFA will continue to press for federal and state legislation which mandates the continuation of item pricing until food retailers have made written commitments to this system. A number of supermarket chains have stated that they will experiment with the removal of individual prices despite the committee's recommendation. The reaction of chain store executives to the industry recommendation ranged from disappointment to anger, according to the trade publication "Supermarket News".

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Focus On Local KonsumerS This month: Iowa Consumers League



A low key Consumer operation since 1969, the Iowa Consumers League received a shot in the arm in the spring of 1975 when a Federal grant to a non-profit corporation serving the public enabled the Board of Directors to hire an Executive Secretary. Sheila Sidles, a founding member of the ICL, a graduate Home Economist, and a long time Board member who had been doing volunteer work for the League after raising four children, was hired. Bob Mumma ICL President, had space in his Corydon office, and an agreement was entered into with a five county Community Action Program. In exchange for office space, ICL mails copies of its bi-monthly newsletter to about 600 low income and head-start parents in the CAP area.

Corydon, Iowa (population 3500) is a town a consumer can relate to! Consumer problems there are a microcosm of all consumer problems including rising food prices, rising utility prices, unemployment, fluctuating farm commodity prices, and a lack of basic consumer knowledge. These are not only Corydon's problems, but Iowa's problems.

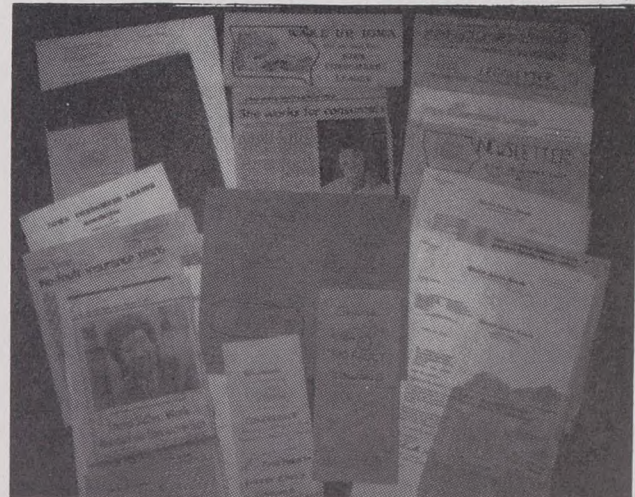
Like all consumer groups, the ICL has had some successes and some failures. Under the previous president, Betty Talkington of Des Moines, the ICL worked for a new Iowa Consumer Credit Code. The League was successful in getting many consumer reforms into the bill, but lost out when interest rates on revolving charge accounts were allowed to rise from 9% to 18% on the first \$500. The League is currently lobbying to reduce that to 15%.

Under pressure from Iowa League members, a consumer oriented legislature rewrote the State regulations on Examining Board membership to include two public members on each Board. In 1975, the first year the new regulations were in effect, Jean Tester, an ICL Board member from Iowa City, was appointed to the State Board of Dental Examiners, and Sheila Sidles was appointed to the State Board of Medical Examiners.

Early in its formation the ICL encouraged the adoption of a State Ombudsman plan. Now called the Iowa Citizens Aide, the office works successfully with people who have complaints against governmental agencies. The ICL also applauds the work of the Consumer Fraud Division of the Attorney General's office, and receives regular updates from Julian Garrett, Assistant Attorney General in charge of the division.

For awhile it looked like 1976 was the year to pass a "Genuine No-Fault" automotive insurance bill for Iowans. The bill that came out of the Iowa House Commerce Committee was a good consumer bill. A flyer outlining the major points of the bill, with steps for all members to take in

contacting their representatives, was developed, mimeographed and distributed statewide, including a floor distribution to members of the Iowa House. ICL also developed a rebuttal to the written opposition of the Bar Association and the Independent Insurance Agents, which was distributed by the floor manager of the bill the day of debate. However, the Bar Association prevailed, and at the current writing the bill is shelved. The Governor, an attorney, has said he would veto it, but a movement is underway to reconsider. The Iowa League is continuing to educate its members on "Genuine No-Fault" and



encourages all consumer groups to work for a No-Fault with a high threshold—not an Add-On as used in Delaware and Oregon.

IEBN, the Iowa Education TV network, came to the Iowa Consumers League when they recently instituted a weekly Market Basket survey for their Friday night Farm show. League Board members in five cities readily agreed to help. In Des Moines, Kerald Yearns, a high school consumer education teacher made it a class project at Valley High. In Davenport, Mabel Flint and Charlotte Mohr have shared responsibility. In Waterloo, Don Fairbanks, Sioux City, Kathy Prohaska, and Dee Gray in Cedar Rapids. Council Bluffs is handled by "Friends of IEBN".

ICL is directed by a 21 member Board of Directors, selected from varying consumer oriented groups across the state. Currently Board members are involved with Iowa State Extension Service. Rural Electric Cooperatives, Labor,

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SPEAK OUT! Is breaking up hard to do?

by Senator Philip A. Hart (D.-Mich.)

The ad on the television was picture clear: There was the jigsaw puzzle. And the message was that each piece of the oil industry interlocked—just like the jigsaw puzzle. Clearly we were being subtly told that if, heaven forbid, the government should step in and pry the pieces separate from each other, the whole system built up over the years would collapse.

It was an entertaining ad—and to many quite persuasive. Then, one day, Senate Antitrust and Monopoly Subcommittee staffers made a trip to Wisconsin and picked up the transcript of a case in the Tax Appeals Commission—Exxon Corporation vs. Wisconsin Department of Revenue.

At issue was whether the state could apply a formula for taxing the entire operation of Exxon or must tax only the marketing business carried on in the state boundaries.

The key question was: Is Exxon a company so integrated—so co-mingled—so dependent, one division on the other—that it would be called "unitary"?

If it were decreed "unitary", it would have to pay higher taxes in Wisconsin—and a number of other states.

For those of us who think that this industry can manage quite well if broken up into separate divisions, by function, the company's response was instructive.

Exxon—and all the other major oil companies—had lectured the Antitrust Subcommittee for years as to the essential value vertical integration gives to the company.

Mr. Frank Ikard, president of the American Petroleum Institute, told the subcommittee that if divestiture legislation were to separate the functions of the major companies, it: "...Would inevitably cause every company, regardless of its degree of integration, to become less efficient than it is now. Each company would have to engage in a lot of costly transactions that are simply not necessary."

But Exxon seemed to tell a different story to state tax authorities.

In the Wisconsin tax case, Mr. Thomas G. Ragatz, counsel for Exxon, said: Our evidence will show that none of (Exxon's) functional departments are integral parties of a unitary business composed of all functions combined; rather it will show that each function is independent and not unitary to, or an integral part of, any other function.

Repeatedly, the company made the argument that each functional division—exploration, transportation, refining and marketing stood on its own feet. Each, it was claimed, was "operated as separate businesses in competition with other oil companies having similar functions."

Thereby, it seems to me, was laid to rest the most reasonable argument the industry has made against vertical divestiture: That somehow we would mess up the efficiencies that come from vertical integration.

If—with the profit motive as their incentive—the companies already have organized into functional units, we can assume this is the most efficient arrangement.

And, it becomes clear that we will not do great harm to the industry by moving these separate functional units out from under the corporate umbrella and into the competitive world.

What the Wisconsin Exxon testimony has done for us is to give evidence that the real world recognizes what the theoretical world preaches—that competition, within a company or outside it, is the best road for all.

It seems a small step to move those "mini-competitive" segment into a world of "maxi-competition".

But, I believe, it is a step that will help energy consumers—and all consumers—everywhere.

The Divestiture Process

Inevitably the question arises as to how divestiture can be accomplished. How do you go breaking up an Exxon, a Shell, a Phillips. The industry has informed us that it is just about impossible. The fact is, of course, that our financiers, our accountants, our corporate lawyers, and our courts have had decades of experience in handling all of the problems which would arise. Because they do arise almost every day of the week in any kind of corporate reorganization, regardless of whether it comes from court-ordered divestitures (ranging from the 1911 Standard Oil case to the pending divestiture by Kennecott of Peabody Coal), bankruptcy proceedings, voluntary divestitures, and even mergers. The problem in all of them is to do the best possible job of protecting the equities of all parties.

Mergers are not usually thought of in this connection, yet they raise just as many problems of equity as divestitures. The off-again on-again attempt of Mobil Oil to merge its affiliate, Marcor, is a case in point. Will an outright merger fairly treat those Marcor stockholders with roughly \$600 million equity in Marcor who have evidently chosen not to sell out to Mobil over the past couple of years? Will the issue of Mobil stock in connection with the merger dilute the equity of existing Mobil stockholders? And how about the debt? Will those investors who hold three quarters of a

billion dollars in Marcor debt have more or less security in a merger with Mobil, which has \$1 billion of its own long-term debt? Evidently the directors of both Mobil and Marcor are fully confident that these questions can be worked out satisfactorily to most of the investors involved, because they know that the expertise needed to do the job exists.

What are the mechanics of divestiture? The simplest approach is to have the existing integrated companies establish separate subsidiaries in the functions to be divested—production, pipelines, refining, and marketing. The subsidiaries could be sold or spun off. Given the magnitudes involved, the spinoff is the most likely solution, with stockholders in the original company receiving, *pro rata*, shares in each of the subsidiaries. In other words, each stockholder would have the same residual claim to assets after divestiture as he had before. In order to prevent continuation of common control, of course, large stockholders would be allowed a period of time in which to decide which function they chose to retain and to dispose of their stockholdings in the other functions.

General corporate debt can be allocated among the new functional companies on some reasonable basis, such as the corporation's investment in the different functions. Another merger example is useful here. United Gas had 11 separate debenture issues at the time it was acquired by Pennzoil in 1968. These were replaced by comparable Pennzoil issues, with a modest cash reserve established to redeem debentures of investors who preferred not to exchange their old securities for Pennzoil. Incidentally, the whole process was reversed a few years later when Pennzoil was required by the FPC to divest United Gas Pipeline Co.

Pension Rights Protected

Witnesses in Subcommittee hearings also raised a question about the effect of divestiture on pension rights. Again, this is a problem which arises frequently and is solved on the basis of existing law. Thus, Scovill Manufacturing Co. sold its last metals division for \$40 million a couple of weeks ago. The purchase price included \$22 million in cash; the balance represented mostly the assumption by the buyer of the unfunded portion of pension obligations for Scovill employees who were transferred to the new employer. There was no problem, in other words, with the pension rights of employees under the divestiture action.

The crunch question, of course, is: Can the affected companies make reasonable and equitable allocations of assets, liabilities and net worth necessary to accomplish divestiture? The answer has to be yes.

Three majors—Gulf, Sun, and Continental—have already done so internally. They have reorganized their corporate structures to provide separate functional subsidiaries, including production, refining, marketing, and transportation. These are separately-incorporated subsidiaries, each with its own income statement and balance sheet, in which the sole stockholder is the parent. Divestiture by these companies simply requires that the parent dispose of its stock in the subsidiaries affected by the legislation.

The same thing can be said generally for pipeline divestiture. Nearly all pipelines are separately-incorporated entities with their own company owners as shareholders.

But how about the production, refining and marketing operations of other majors? Here we may rely on the testimony of Exxon's witnesses in its case against the Wisconsin Department of Revenue, as mentioned earlier.

One of Exxon expert witnesses was the managing director of Arthur Andersen's Houston office, which audits the books of a number of integrated companies other than Exxon. On the basis of 28 years' experience, the witness testified that "all [integrated] companies use the functional profitability independence for measuring the performance of their various operations." He responded affirmatively to a question by Exxon's counsel as to "whether these functional departments in such companies are generally treated as independent businesses."

The point of this is clear. There are already in place the accounting and financial data necessary to permit the rapid development and implementation of any divestiture plan which should be required by Congress.

CFA urges consumer—supermarket alliance

On Food Day, 1976, Consumer Federation of America urged the retail food industry to join with them in an all out effort to curb the nation's rising food prices. CFA suggested a program of private and public action aimed at this objective.

In letters to the presidents of America's 20 largest food chains and the major retail grocery trade associations, Carol Tucker Foreman, executive director of Consumer Federation of America, detailed several actions the retail food industry could take to decrease costs and pass the resultant savings on to consumers.

Consumer Federation of America has never before suggested that a major campaign against high grocery prices be undertaken as a cooperative effort with the retail food industry. It has become increasingly apparent that a mutuality of interest exists between consumers and food retailers which calls for joint action.

Out of Control

Foreman noted that some reasons for rising food prices are obviously beyond the control of retailers, such as the costs of energy and the labor increases necessary to permit employees to maintain real wages and to share in the benefits of increased productivity. She also stated that there were some obvious areas where consumers and retailers would not agree, such as what is an acceptable level of return on investment. "But in those areas where there is the ability to control and the potential for mutually beneficial action, we should work together," Foreman urged.

Foreman detailed three particular areas where both retailers and consumers could benefit from a coordinated effort to reduce costs. These areas are food advertising, excess packaging, and recovery of losses resulting from violations of antitrust law by grocery manufacturers.

"With regard to food advertising," Foreman noted, "we urge all supermarket chains and their trade associations to meet with the nation's grocery manufacturers to request that each manufacturer reduce non-price specific advertising for each of its existing food lines by 10% for each of the next two years." Since food advertising accounts for a staggering 3% of the nation's total food marketing bill, this action would clearly help reduce the cost of food.

CFA's second suggestion was directed at the problem of excess packaging. CFA urged all chains and trade associations to petition the nation's grocery manufacturers to review all present and planned packaging and to implement new procedures that will hold the packaging costs for the next two years at present levels. This recommendation was based on the fact that packaging costs accounted for 12% of the nation's marketing bill for 1975. "Significant savings would be realized if the grocery manufacturers would agree to reduce excess packaging, standardize packaging, eliminate duplicate packaging, and eliminate packaging gimmicks," Foreman noted. She also urged support for legislation aimed at these goals, such as the Packaging Conservation Act.

The third CFA suggestion called for the chains and their associations to file suits wherever feasible to recover losses incurred as a result of violations of antitrust law by the food manufacturers. The funds recovered as a result of court action could then be passed on to consumers in the form of lower prices. Precedent for this type of action has already been established by the suit on behalf of almost 80 supermarket chains against sugar refiners for fixing the price of refined sugar, subsequent to successful action by the Justice Department. CFA also urged support of the proposed Antitrust Improvements Act and the Industrial Reorganization Act and amendments, both of which would strengthen antitrust law.

In conclusion, Foreman wrote, "CFA hopes that you will see that consumers and retailers have mutual interests as spelled out in this correspondence. We hope you will take the actions we advocate, and we will join with you to the maximum extent permitted by our limited budget to further these mutually beneficial goals. We know such actions and their results would please all of your customers."

Workshop planned on city food systems

A national workshop to discuss probable causes and possible cures for higher food costs and lower food quality in the city will be sponsored by the Community Nutrition Institute.

The two-day conference on the Food System in the City will be held June 9 and 10 in Washington, D.C. at the Washington Hilton Hotel, and will focus around seminars to examine these issues:

1. The city eco-culture as a factor in raising the cost of distributing food as compared to suburban communities;
2. The impact of technology on competition and concentration in the city food system;
3. The viability of alternatives to conventional food retailing, including food coops, buying clubs, joint ventures of chains and minority enterprises, and fast food outlets;
4. The supermarket as a neighborhood center in planning and implementing redevelopment programs and projects in the city.

Further information on the workshop can be obtained from Ellen Haas, coordinator of consumer programs at CNI, 1910 K St., N.W., Washington, D.C. 20006.

Study (continued from p. 1)

The study poses a problem for the Senate Commerce Subcommittee on Consumers, which now must decide whether to continue working actively on S. 997, legislation which would require item and unit pricing. Chairman Frank Moss (D-Utah) has written to the 100 largest food chains to learn of their intentions with regard to the price marking recommendation. To date, 11 chains say they will retain item pricing indefinitely, 12 say they will retain it during testing and then decide, and 2 large chains will not make a commitment to item pricing.

While the study is definitely a boon to consumers, its beneficial impact will rapidly be negated if industry is successful in stalling or defeating price marking legislation without having made a firm commitment to the continuation of item pricing. According to Supermarket News, the grocery industry subcommittee urged that the recommendation "be used to discourage further legislative action while opening the door to more constructive dialog between consumers, labor and the retail food industry", and also recommended further discussion "on the development of continued experimentation with alternative methods of price information and other aspects of the UPC system."

Some food retailers felt that the study recommendation would achieve the desired effect of discouraging legislation. Others were angered that the industry's own study gave legislators, consumer groups, and labor organizations further ammunition by confirming the usefulness and importance of item pricing.

The study encompassed many different aspects of consumer awareness. In terms of the consumer's ability to determine the prices of products on the shelves, there was little difference between conventional and UPC stores. However, a significantly higher percentage of shoppers reported difficulty in seeing product prices in UPC stores. The study results were more striking with regard to remembering prices. Consumers in UPC stores correctly

recalled the prices of items from their shopping baskets 56 per cent of the time, while shoppers in conventional stores achieved 71 percent correct recall of prices.

Even more importantly in terms of the use of price information as a consumer tool, the study showed a significant difference in the ability of consumers to remember prices over time between the two types of store. Using a six week test period, the researchers found that UPC shoppers reported incorrect prices for seven out of ten items significantly more frequently than did conventional store shoppers. Similarly, the conventional store shoppers were more sensitive to price changes over time than their UPC counterparts.

The grocery industry has argued for several years that consumers would benefit from the greatly improved information provided by the computerized register tape, and would use that information as a handy home reference for comparing prices. It is therefore all the more significant that the grocery industry-sponsored study revealed that only 5.4 percent of UPC shoppers used the cash register tapes at home, while 41 percent of conventional store shoppers used the prices marked on packages in the home.

While refusing to lay blame solely at the feet of the non-item pricing system, the study also found a considerable difference in the store-switching behavior between conventional and UPC shoppers. During the first test period, about 43 percent of UPC shoppers switched stores compared to 26 percent in the conventional stores; this pattern was borne out in the second testing period, when 47 percent of UPC shoppers and 31 percent of conventional shoppers switched stores.

CFA has urged all major food chains to provide written commitments that they will continue to mark individual prices and will restore that system where it has been abolished. In the absence of firm and widespread commitments, legislation will continue to be necessary to ensure the continued availability of vital consumer information. *Advertising Age* in their April 12 issue put it very well: "One thing is clear: Supermarket owners put themselves in a vulnerable position when they plunged ahead on the assumption they could eliminate price marking without considering—seriously and soberly—whether consumers would go along."

Awards dinner (continued from p. 1)

25 grassroots and national consumer and environmental groups.

Actor Robert Redford is actively involved in national and local efforts to protect the environment and preserve natural resources. Lola Redford is co-founder of Consumer Action Now, a six-year old environmentally concerned consumer organization which focuses on how consumer behavior affects the environment.

CFA's award for Outstanding Consumer Service through the Media will be presented to Betty Furness. One of the country's articulate and effective consumer advocates, Ms. Furness is currently Consumer Affairs Director for WNBC-TV in New York.

A nationally known television and radio personality, Betty Furness began a career in public service when President Johnson named her Special Assistant for Consumer Affairs, a post she held from March, 1967, to the end of the Johnson Administration in January, 1969. During her tenure in Washington, she was instrumental in the enactment of Federal legislation on many important consumer issues including Truth-in-Lending, meat inspection and flammable fabrics, and she helped persuade congress to establish the Consumer Product Safety Commission.

Ms. Furness also served as Chairman of the New York State Consumer Protection Board and Commissioner of the New York City Bureau of Consumer Affairs.

Her present post at WNBC and her frequent appearances as co-anchor on the Today Show have enabled her to combine two careers into a uniquely effective means of consumer education and action. From complaint handling to analysis of current consumer issues, Betty Furness is one of the country's most outstanding consumer reporters.

The banquet will also feature a special farewell tribute to Representative Leonor Sullivan. Throughout her 24 year tenure in Congress, Leonor Sullivan has devoted her career to securing passage of progressive consumer legislation. She was a "consumerist" long before the term came into popular usage. She received CFA's Distinguished Public Service Award in 1972.

As a senior member of the House Committee on Banking and Currency and Chairperson of its Subcommittee on Consumer Affairs until January, 1975, Rep. Sullivan was instrumental in the passage of such landmark consumer legislation as the Truth-in-Lending Act, the Credit Control Act of 1969, the Economic Stabilization Act of 1970, and the Fair Credit Reporting Act which enables consumers to protect themselves against arbitrary, erroneous and malicious information sold by credit bureaus.

Rep. Sullivan, the only woman ever elected to Congress from the state of Missouri, has been a consistent advocate of safe food, drugs and cosmetics and has sponsored many improvements in these and other consumer protection laws.

Tickets to the Awards Dinner are \$65 each and tables of ten may be reserved for \$650. For reservations or further information contact CFA at 1012 14th St., N.W., Washington, D.C. 20005 or call (202) 737-3732.

No Fault shelved in Senate

On March 31, 1976, the Senate voted 49-45 to recommit S. 354, a bill to create national standards for no-fault automobile insurance. This effectively killed No-Fault for the current session of Congress.

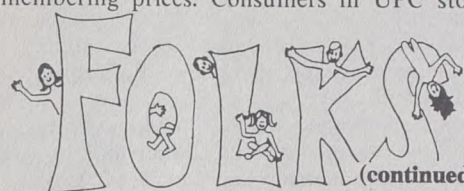
In the weeks before the vote, the American Trial Lawyers Association used their ready access to Congress to effectively plead their case of self-interest. They were aided by a war chest of some \$400,000 which will be distributed as campaign contributions to members of Congress. The obvious strategy was to recommit the bill rather than be accountable for a vote on the merits.

CFA agrees with Senator Pastore (D-RI) who correctly identified the Senate action as an obvious camouflage attempt to satisfy pressure groups. In essence, it was "legislation in reverse." Too many Senators lacked the courage to vote on the merits of the bill.

It was particularly indefensible to recommit the bill in light of the fact that months of hearings have been held over the past seven years and all major arguments have been repeatedly aired and persuasively rebutted, including the Senate floor debate on March 31.

Of particular importance in killing the bill were the votes of several supposed "pro-consumer" Senators who surrendered to pressures rather than let the bill be judged on its merits. They are: Bumpers (D-Ark.), Cannon (D-Nev.), Hartke (D-Ind.), Hathaway (D-Maine), Mathias (R-Md.), Packwood (R-Ore.), Stafford (R-Vt.), and Stone (D-Fla.).

Also damaging was the absence of several "pro-consumer" Senators. They included Brooke (R-Mass.), Jackson (D-Wash.), and Tunney (D-Calif.).



(continued from p. 1)

Iowa Farm Bureau, Education, Farming, Credit Counseling, Consumer Complaint handling, Politics, Industry, and Senior Citizens. This Board meets 5 times a year. In between a 7 member Executive Committee makes decisions. Members of the Executive Committee are: Bob Mumma, President; Jim Sheley, Des Moines, Vice President; Dolores Gray, Cedar Rapids, Recording Secretary; Sheila Sidles, Centerville, Treasurer; Ed Bomberger, Des Moines; Jean Tester, Iowa City; and Rev. Floyd Garrett, Ames. Other Board members are: Mary Anderson, Waterloo; Don Fairbanks, Waterloo; Florence Ferden, Northwood; Mabel Flint, Bettendorf; Tom Harkin, Ames; Karen Hull, Ames; Duane Lodge, Des Moines; Fred McCard, Corning; Tom Miller, McGregor; Charlotte Mohr, Eldridge; Leona I. Peterson, Des Moines; Kathleen Prohaska, Sioux City; Kearld Yearns, Des Moines.

Since 1969 a quarterly newsletter has been written as a student project at Iowa State under the direction of Karen Hull. This year a mimeographed newsletter has been alternating, making the ICL Newsletter at least bi-monthly. The Iowa Credit Union League makes "Everybody's Money" available for inclusion to the membership. An ICL "Legisletter" has been mailed to Board Members during the legislative sessions to keep them up to date on Consumer Legislation. Ms. Sidles is a registered lobbyist, although the 90 mile trip to Des Moines prevents the type of effective lobbying needed, and ICL must rely on help from all its members.

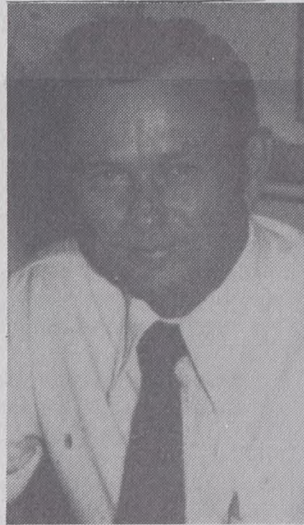
The Iowa "Consumers Voice" has been getting an airing through Sheila. During the past year she has been asked to speak for Iowa consumers at a number of state meetings, as well as TV and radio interviews. The meetings include a marketing panel at the Iowa Farmers Union state meeting, and a major speech on "What the Consumer Wants to Know about Her Utility Company" to the State meeting of the Iowa Rural Electric Cooperatives (her womanly leanings erupted when she realized in the roomful of 250 managers and Board members of the REC she was the only female.)

She will represent ICL as a keynote speaker for the Iowa Home Economics Association State meeting the first week-end in April, and be a panelist at the State Meeting of the Iowa Food Industries Association in June.

Last fall, working with the Area Agency on Aging, a series of five minute radio programs on the "Consumer Problems of the Senior Citizen" was developed, which has been aired on many radio stations in Southern Iowa. Programs on consumer legislation and regulations have also been presented to Senior Citizens groups, as well as student groups at the University of Northern Iowa. President Bob Mumma, Treasurer of a Credit Union, and Director of an Emergency Family Loan program, is in demand as a speaker on money management in the Southern Iowa Area.



Sheila Sidles,
executive secretary



Bob Mumma,
president

ICL has also worked cooperatively this year with the Meat Price Investigators Assoc., which has filed suit recently against ten supermarket chains and two related organizations.

The 6th Annual Meeting and Conference held in September focused on the three major areas of this year's consumer work—featuring panels on Food Marketing, Energy Problems in Iowa, and Consumer Complaints.

The ICL has also written a FEA-UCAN proposal stating its goals in Energy Conservation for the coming year. These include work for Consumer Representation at Rate Hearings, removal of automatic pass through of fuel costs, a "helpline" utility rate, peak-load pricing, and a flattening of rate schedules. Iowa has already passed regulations which prohibit utilities from passing their advertising costs on to consumers.

The ICL Newsletter urges the membership to contact their elected representatives about Federal regulations and legislation, as well as state legislation. Two Iowa Congressmen, Tom Harkin and Ed Mezvinsky, were "heroes" on CFA's Voting Record, 100% in 1975!

The ICL President and Executive Secretary admit that not everything gets done on schedule. Sheila has a constant battle between doing Consumer Relations, and doing typing, filing, and mailing. Consumer Complaints are increasing, also. Hopefully the current membership drive will bring in enough funds for additional office help,

funding will be found to continue some of the new programs, and the Iowa consumers will continue to have a full time spokesman.

Legislative Wrap-Up

Federal Reserve Reform Act

On March 18, 1976, Kathleen F. O'Reilly, legislative director of CFA, testified before the House Banking Committee on proposed comprehensive financial reform legislation (The Financial Reform Act) which was the product of lengthy House hearings on the F.I.N.E. (Financial Institution and the Nation's Economy) study.

The proposed legislation would essentially have eliminated the Office of Comptroller of the Currency and the regulatory function of the Federal Reserve Board. Those functions would be assumed by a new consolidated Banking Commission. Thrift institutions, including savings and loan associations, mutual savings banks, and credit unions, would have been afforded expanded competitive power such as checking accounts, the ability to issue consumer loans, etc. Regulation Q (the ceiling on interest rates which can be offered on time and savings deposits), would be eliminated in 5½ years. Those depository institutions which maintain a substantial portion of their assets in housing would be allowed to pay a higher interest rate to customers. The legislation also provided for the regulation of foreign banks.

CFA gave mild endorsement of the bill, expressing serious concern that the bill did not adequately address the critical problem of the inadequate amount of funds available for housing, particularly for low and moderate income consumers. CFA's endorsement was a recognition that the bill would afford consumers services not now enjoyed and that, because of its probable stimulation of competition, the legislation would be in the public interest.

Ms. O'Reilly blasted the American Bankers Association and Independent Bankers Association of America for their all-out lobbying war to kill the bill—an effort which included thousands of phone calls, letters and personal visits by bankers. It was a common experience for a member of Congress to walk into the office and be faced each morning with a new delegation of local bankers from the home district. CFA maintained that because of this total industry opposition to reform, the core issue had become whether the Banking Committee and the House were dominated by the bankers or by the public interest.

The answer to that question came a few short weeks later when Chairman Reuss (D-Wis) announced that in an accommodation of the bankers' opposition, the originally proposed bill would be separated into three pieces of legislation. One would deal with a reform of the Federal Reserve Board. A second bill would establish expanded powers for the thrift institutions. The third bill would cover foreign banks.

Financial Reform

On April 9, 1976, Kathleen F. O'Reilly testified on H.R. 12934, The Federal Reserve Reform Act, the first bill of the package. Extremely disturbed that the bill does not go nearly far enough along the spectrum of reform, CFA nonetheless recognized that it represents a praiseworthy step

in the direction of accountability. The Chairman of the FRB would be appointed by the President and confirmed by the Senate for a term which would basically coincide with the presidential term. Presidents of the regional banks (some of whom sit on the highly powerful Open Market Committee) would be appointed by the President and confirmed by the Senate in contrast to the present procedure whereby they are selected by the commercial banks. The Fed would have to give a quarterly accounting to Congress of the impacts of its prospective market policies, including the impact on employment and price stability. The Boards of Directors would be expanded from six members to nine members, the three additional members to be selected "with due consideration to labor, education and consumers." The selection of the board members could not be discriminatory in terms of race, sex or religion. Of the 1,042 persons who have served as board members, none have been women although hundreds of qualified women have been under consideration. Only 6.7% of the officials in the Federal Reserve System are women.

CFA's testimony detailed several areas where the language of the bill had to be more tightly drafted so as to assure that broad policy goals would be effectively implemented. Furthermore, it was insisted that comprehensive and specific disclosures and a periodic GAO audit of the Fed were crucial necessities if the bill was to be worthy of the label "reform."

Class Action Antitrust Suits (Parens Patriae)

On April 6, 1976, the Senate Judiciary Committee finally completed a frustratingly long and tedious mark-up of S. 1284, the Hart-Scott Antitrust Improvements Act. One title of that antitrust package is particularly important as it allows State Attorneys General to bring antitrust actions on behalf of the citizens of their states (Parens Patriae). The legislation is a sensible approach to a growing problem and is a logical complement to other reform legislation, including the Agency for Consumer Protection, expanded legal power of the Antitrust Division of the Justice Department, etc.

At the committee mark-up, all but one of a series of weakening amendments were defeated. Sen. Roman Hruska (R-Neb.) had introduced one amendment after another designed to nullify the potential effectiveness of the act. Those amendments include elimination of treble damages, a narrowing of the bill's scope to include only price-fixing, dilution of effective subpoena power and a prohibition against contracting with private practitioners to handle the antitrust actions on a contingency fee basis. One weakening amendment which passed (introduced by Sen. Quentin Burdick (D.-N.D.)) will provide for the granting of attorneys' fees for third parties required to appear as part of an investigation or prosecution of an antitrust case under the bill.

The House version, passed on 3/18/76, was seriously weakened by an amendment introduced by Walter Flowers (D-Ala.) which would allow State Attorneys General to bring only price-fixing cases.

National Commission on Food Marketing

On April 6, Carol Tucker Foreman, CFA's executive director, testified in favor of HR 11998 "The Federal Food Marketing Appraisal Bill". This legislation would establish a new National Commission on Food Marketing to perform a comprehensive study of the structure and performance of the nation's food marketing system. The last Commission, which was terminated in 1967, alerted consumers to many alarming trends in the industry such as decreasing competition and increasing merger activity.

CFA, though in favor of a new Commission, strongly urged several amendments which were essential to the Commission's ultimate effectiveness. The most important of these would require the United States Department of Agriculture, the Department of Justice and The Federal Trade Commission to make annual reports to Congress on their respective antitrust activities and on the state of competition in the food industry.

These annual indices were first called for in the 1967 report. "If they had been implemented," Foreman charged, "we would not have to come here today to reinvent the wheel...It will not be of much help to learn ten years from now that Safeway and Kelloggs were ripping off consumers in 1976."

Coop Bank Bill

On March 16, 1976, Carol Tucker Foreman, executive director of CFA, testified in support of legislation to create a National Consumer Cooperative Bank, (S. 2631) before the Senate Committee on Banking, Housing and Urban Affairs. This bank could help restore competition to many oligopolistic sectors of our economy, such as food retailing. It would also stimulate the establishment of business that are more responsive to consumer needs and preferences. Their success can readily be seen by examining the Consumers Cooperative of Berkeley, California and Greenbelt, Maryland.

In conclusion, Foreman stated, "Our country was founded on the notion of individual ownership. In recent years both individual ownership and control of the market system has declined. We believe the National Cooperative Bank can help offer an important alternative type of economic community in the United States."

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