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consumer federation of america

Washington, D.C.

Summer Issue

A Consumer Review of the Democratic Platform

The platform of the Democratic Party is for the most part, sensitive and responsive to the most vital consumer problems of the day. This month, the CFA NEWS examines this document for its treatment of consumer issues. The platform of the Republican party will be reviewed next month.

On May 17, CFA's executive director Carol Tucker Foreman testified before the Platform Committee of the Democratic National Committee seeking a major commitment of Democratic support for CFA's major policy resolutions. A review of the final platform shows that a majority of CFA's concerns were incorporated into the document, but several significant consumer issues were omitted. In general, the Democrats chose to make a series of broad philosophical statements supporting increased government and business accountability and improved services for human needs, rather than committing themselves to specific pieces of legislation designed to accomplish these goals.

A major consumer victory is seen in the Democratic twice-stated endorsement of CFA's top legislative priority, the creation of an independent Agency for Consumer Advocacy. The platform urges "the creation and maintenance of an independent consumer agency with the staff and

power to intervene in regulatory matters on behalf of the consuming and using public."

Although "anti-Washington" and "get the government off the back of business" feeling is a predominant theme of both parties this year, the Democrats closely parallel CFA's stand on the issue. Foreman stated, "Where the marketplace can be kept competitive and where competition can provide the best products and services, the marketplace should be allowed to function. Where the marketplace is not competitive and will not protect consumer health, safety and economic well-being, government must do so." The platform agrees, saying that competition is preferable to regulation, while recognizing the government's responsibility to remove unreasonable restraints and barriers to competition and to restore the operation of marketplace forces. They pledge to eliminate unnecessary regulation and paperwork while affirming the government's responsibility to impose and rigorously enforce regulations where necessary to ensure health, safety and fairness.

CFA severely criticized the quality of regulatory appointments under the Nixon-Ford Administration. The Democrats, in response, called for tough, competent regulatory commissioners and urged elimination of "revolving door" careerism—the shuttling back and forth of officials between jobs in regulatory agencies and the industries they are supposed to regulate. They also supported improved civil service accountability and the elimination of political cronyism in filling government jobs.

The Democrats agreed that the government must become more sensitive, open and free of obligation to special interests. They supported CFA's suggestion to grant citizens standing to challenge illegal or unconstitutional government action and to grant compensation for successful suits.

The platform vowed to encourage the development of consumer cooperatives, objective product standards for consumer goods, low cost redress for consumer complaints and strengthened small claims court.

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Getting ripped off?

Get mad!

Consumers are getting ripped off but not getting mad. According to a recent study, urban citizens are meekly accepting low quality products instead of using existing complaint handling mechanisms to resolve their problems.

These findings are part of a study released jointly by Ralph Nader's Center for the Study of Responsive Law and Call for Action, Inc. Their conclusions revealed that consumers complain about only one-third of the products with which they are dissatisfied.

People tend to complain only if the item is expensive or if the problem is clear-cut and does not involve possible conflicts in judgment. Such cases are not common, however, and dissatisfied customers are refraining from telling businesses and complaint handling agencies what is wrong with their purchases. What the consumer does not realize is that businesses offer satisfactory solutions for more than half of the complaints they receive.

Not only are consumers victims of poor products, which are estimated to be as much as one-fourth of all goods manufactured today, they also tolerate inadequate repair services. Figures reveal that between 35 and 45% of customers receiving home, appliance or car repair are dissatisfied. Yet for various reasons complaints are not voiced.

To encourage consumers to speak their minds, the report recommends education programs which will help consumers reassess their complaint practices. Increased accessibility to complaint handling mechanisms is also suggested, through such means as improving small claims courts, training consumer advisors to work with community groups, organizing special consumer action groups to collect and present viewpoints on issues that currently go unexpressed, and further availability of prepaid legal services plans. Such developments would increase opportunities for fair resolution of consumer problems.

In essence, the stereotypical idea that the American consumer floods complaint agencies and stores with irate and unreasonable gripes is far from the truth. Instead, most purchasers tend to feel that it is illegitimate to have problems with products. Consumers are far too conservative in voicing their complaints, and must make their grievances known for the benefit of both themselves and business.

"Making things right requires the encouragement of complaint voicing so that buyers will be relieved of the pressures that nowadays lead them to forgo making many perfectly reasonable complaints," the report concluded.

For further information on the study, contact Arthur Best, Center for Study of Responsive Law, P.O. Box 19367, Washington, D.C. 20036; or (202) 833 3404. The report is available to businesses, associations, and libraries for \$10.00, and to individuals for \$5.00.



This issue of the CFA News was written and prepared in part by five student interns who are working at CFA this summer. Pictured above left to right they are: William Cassell, Duke University; Candace Perry, University of Michigan; Michael Podhorzer, Brandeis University; Kathy Perlmutter, Radcliffe College; and Stephen Perkins, Yale University Graduate School.

Focus On Local KonsumerS

This month: Indiana Consumer Center

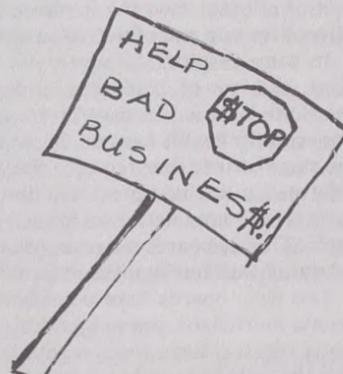


The president of the local Better Business Bureau has "vehemently denounced" its activities. Business people hate its pickets and a number of shoddy firms have lost their licenses because of its actions.

It's a friend of abused tenants and ripped-off consumers. It's a grassroots consumer group that is not afraid to confront utility companies, supermarkets, landlords or dishonest companies. It's called the Consumer Center of Ft. Wayne, Indiana.

Operating on a shoestring budget of funds derived from scores of small contributors, the four year old Consumer Center is a respected force for protecting the marketplace rights of consumers throughout the community.

The Consumer Center began in 1972 when a tenant complaint sparked the formation of a "fairly large" committee to work against a landlord who was renting substandard housing. When the landlord refused to talk with the tenants, the committee members picketed his suburban home. The landlord failed to gain an injunction against the picketers and they continued until a satisfactory solution was reached.



Allan Classen, Director of the Indiana Consumer Center of Ft. Wayne

As a result of the housing complaint, the Committee realized that Ft. Wayne needed a consumer group which would represent poor people—and the Consumer Center was born.

With the financial assistance of the church-affiliated Mennonite Volunteer Service Program, a full-time director, Allan Classen, was hired and a building was donated to house the infant group.

The Center, then and now, operates on an all-volunteer basis which seeks to involve people who come to the Center for help with various consumer problems. Every week the center holds a complaint night which anyone who has a complaint can attend, share the problem and perhaps find others who are willing to work for appropriate solutions.

The complaint-handling process involves a number of logical and proven steps. First, a letter is written to the merchant. Second, a meeting is called between the merchants and the complainants. If no satisfactory solution is reached, the Consumer Center begins an in-depth investigation of the business' practices. If all of these steps fail to work, the Center begins an educational picket of the establishment, which the media is encouraged to cover.

"Public exposure is the key to making a merchant responsive," Mr. Classen explains. "But we try never to picket if we are not very much convinced that the merchant is in the wrong."

This process has led to several major consumer victories. For example, a home improvement contractor had his license revoked by the city building department after twenty consumers complained of being cheated by shoddy work.

On another occasion, the Center exposed the fraudulent, high pressure tactics of a local carpet center which had left area consumers with shabby rugs and worthless ten year guarantees. They also exposed an unethical aluminum siding company.

The Center has branched out from complaint handling to getting involved in the formation of public policy, especially in the areas of utilities and food.

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SPEAK OUT!

by Sidney Margolius
Syndicated Columnist

Deregulation Threatens Consumer Protection

Some of the most important gains in consumer protection may be lost if advocates of what has come to be called "deregulation" have their way.

On the surface, the deregulation campaign is an attack on government red tape and waste. The would-be deregulators say at least some government agencies should be eliminated. Deregulation sometimes also is called "regulatory reform."

Chief proponents of deregulation are President Ford and his various department heads, and some businessmen. In fact, President Ford has made deregulation one of his main campaign issues.

Funeral Industry Making a Killing

Nothing, as the saying goes, is surer than death and taxes. Traditionally consumers have concentrated their reform efforts on the latter, but it is now apparent that they are mistaken to ignore the former. Figures developed in the course of a study by the Federal Trade Commission indicate that unscrupulous practices in the funeral industry lead to annual overcharges totaling hundreds of millions of dollars.

Help is on the way. In August of 1975 the FTC, recognizing the extent of abuse in the area, formulated a trade rule that extends the rights consumers enjoy in other markets to the funeral industry. Consumer Federation of America strongly supports this rule. Kathleen O'Reilly, Legislative Director, was the key witness at the FTC Funeral Practices hearing held in Atlanta in June of this year. CFA also prepared a state by state survey of funeral regulations for use by Arkansas Consumer Research in that group's presentation at the FTC hearing.

The consumer is particularly vulnerable when making funeral arrangements because he/she is typically in a very emotional state and not apt to perceive deception or act on it.

The first key to success in the funeral industry is control of the body. Once the funeral director has possession of the body, few consumers are inclined to take their business elsewhere. Accordingly the practices of soliciting business, offering kickbacks, and taking possession of the body without permission, as well as intransigence in surrendering the body upon request, are not uncommon.

The second key to success in the funeral industry, once the funeral director has possession of the body, is embalming. What little chance the consumer has to exercise his freedom of choice is taken away once the body has been embalmed. Hence, many funeral directors embalm once they obtain possession, again frequently without permission. In addition to the obvious limitation this practice places on consumer rights, in many cases the embalming is contrary to the deceased's religious principles or to the family's wishes. Further, embalming is the key to the sale of many higher profit funerals; once the body is embalmed it is easier to convince the relatives that an open casket funeral, with all the trimmings, is appropriate.

Funeral Rip-Offs

Not surprisingly, such extreme measures are not the only ways that the consumer is exploited in making funeral purchases. Many funeral directors misrepresent embalming as a legal or religious necessity, and few consumers read the statutes. Many times the preservative value of embalming, caskets and vaults is misrepresented to convince the next-of-kin to preserve their loved ones for eternity (which is impossible).

In the showroom the consumer is subject to the more traditional forms of hard sell, frequently exacerbated by the funeral director's leverage in having possession of the body. Frequently the display room is dominated by expensive caskets without any indication that lower price models are both available and perfectly suitable. In addition, it is not uncommon that the less expensive caskets are displayed in garrish colors, or even defaced to make them appear undesirable. The salesman, who is probably working on a commission, may disparage the quality of the less expensive items and even the customer's concern for price.

The consumer's troubles are not over when the arrangements appear to be finalized. The most pervasive abuse in billing is overcharging for the amount advanced by the funeral director for such items or services as flowers, obituaries, burial clothes or clergymen. Each year, according to FTC and Congressional Research Service estimates, this practice alone costs consumers \$40 million; the overcharges on flowers and obituary notices alone total \$18 million. In addition, the consumer may believe that when he declines any part of a funeral package he is entitled to a rebate for that portion of the cost. In fact there is seldom any credit given for declined services.

Some frustrated consumer advocates also have called for deregulation. But they mean something else. They feel that some government agencies are unduly influenced by the industries they are supposed to regulate. Thus, their ratesetting and other activities tend to cost the public extra money and also impair competition. The agencies usually criticized for these reasons are the Civil Aeronautics Board, Interstate Commerce Commission and Federal Communications Commission.

While such reform proposals differ from the "deregulation" sought by the Administration, the problem is that the consumer advocates have given the attacks on regulatory agencies some respectability. The danger is that the baby may be thrown out with the bath water.

As a consumer you need to be especially suspicious. Deregulation could destroy many recent consumer gains such as truth-in-lending; truth-in-packaging, auto, tire and toy safety regulations, increased Federal Trade Commission policing of deceptions; many Federal Drug Administration activities such as regulation of food and drug safety and suspect additives. Also at stake are efforts to improve safety of household and other consumer products through the recently-established Consumer Product Safety Commission.

Unfortunately, the recently-departed chairman of the product safety commission joined the controversy with a statement on retiring that staff members have drawn up a plan to phase out the agency by 1982. "Some agencies can outlive their usefulness," he said.

**Brobeck Elected CFA VP
Cherry Goes to Law School**

Steve Brobeck, President of Cleveland Consumer Action, was elected CFA Vice President at the June Board meeting, to fill the vacancy created by the resignation of Fred Cowan. Active in consumer affairs in the Cleveland area since 1971, Steve coordinated a consumer complaint resolution group which was formerly affiliated with CEPA, co-authored a comprehensive study of banking and savings and loans institutions in the Cleveland area, and planned and participated in numerous projects for the volunteer consumer group. For the past 6 years, Steve has been teaching American studies at the Case Western Reserve University.

Increasing time pressures forced Fred to leave the Board as he felt unable to both fulfill his obligations as a CFA officer and continue his studies at Harvard Law School. As founder and Director of Arkansas Consumer Research for three years, Fred initiated a public interest concern in the state. ACR has become a respected and articulate voice for consumers in utility, food, legislative and health issues.

Although Fred will no longer be a board member of CFA, there is no doubt that his unique intelligence and drive will continue to serve the consumer movement.

Patricia Cherry, Director of CFA's State and Local Organizing Project, will leave CFA this month to begin studies at Emory University Law School in Atlanta, Georgia.

Ms. Cherry, a former organizer and lobbyist for Arkansas Consumer Research, has been with CFA since September of 1975. Not surprisingly, her major field of interest will be consumer law.

While at CFA, Ms. Cherry has strengthened and amplified the State and Local Organizing Project into a valuable clearinghouse of news, resources and information for grassroots consumer groups in nearly every state. Her enthusiasm and abounding energy will surely continue to serve the consumer movement in her new endeavors.

The FTC rule, if adopted, will prohibit these practices, and take positive action by requiring that complete written statements be provided each customer, including a description of relevant law, the itemized price of all merchandise offered for sale and of the merchandise actually selected.

In some respects, however, the FTC rule is insufficient. First, the use of poisonous embalming fluids should be prohibited, as is the case in 16 states; they constitute an unnecessary health hazard. Second, and more importantly, the state boards that regulate the funeral industry must be reformed to include greater public representation. Consumers should not tolerate an industry that is allowed to police itself. 27 state boards are composed solely of morticians and no state board has significant public representation.

The state boards have considerable responsibility. They license morticians, promulgate rules and regulations, and in many cases, enforce those regulations. But let it not be said that the state boards do not take seriously their responsibility to oversee the funeral industry in areas of critical need...in ten states a mortician can lose his license for using profane language in the presence of a dead body.

In actual fact, rather than even nearing the point of outliving usefulness, in its first three years the commission has completed only two safety standards—for bikes and swimming pool slides—and is facing hard-nosed opposition from industry on proposed standards for power mowers and household aluminum wiring.

One notorious example of dangers from profit-seeking deregulation masked as reform is the current attempt to deregulate natural gas prices, now regulated by the Federal Power Commission. The Ford Administration maintains that deregulation and the resultant higher prices would encourage larger supplies of gas.

But the AFL-CIO Executive Council has called the deregulation proposal "an unconscionable attempt to rip off the American consumer." The Council listed other ways to solve the supply gap. A study by the Library of Congress estimated that deregulation would cost consumers \$5.4 billion the first year and more in later years.

Double Jeopardy

Workers face double jeopardy from the deregulation game, not only as consumers but from greater job hazards if even present skimpy safety regulations are loosened.

Union officials and some Labor Department officials themselves have been concerned by Administration attitudes that the government should reduce its role in developing and regulating working conditions related to safety.

Another example of potential harm from deregulation is the safeguards provided by the Securities and Exchange Commission. With widespread corporate bribery being revealed such activities could run rampant if no agency can require corporations to report on such matters, as well as police the stocks and bonds industry.

Some businessmen themselves have voiced fears of deregulation. A Washington representative for a major communications industry trades association told me, "I'm not sure many businessmen really want deregulation. For example, we wouldn't want to get rid of the SEC."

This is not to say that regulatory agencies should not be made more effective and economical, comments one long-time labor editor. But what the public wants is more efficiency, not less protection.

Sometimes useful regulation can have a deregulatory effect in eliminating industry and local restraints on competition. Such helpful efforts include FTC's efforts to nullify state laws that absolve lenders from blame for dealer tricks, and also laws that prohibit price advertising of drugs and eyeglasses.

Congress yields on oil control

Congress on June 30 acceded to FEA and industry demands for an end to price and allocation controls on middle distillate products such as home heating oil and diesel fuel. It narrowly rejected a resolution calling for continuation of controls.

This could be a heavy blow to consumers. Rep. John Dingell (D-Mich.), who sponsored the resolution to reject decontrol in the House, said that middle distillate prices in the U.S. could rise by as much as 8 cents per gallon.

However, before the final vote the FEA promised the New England delegation, led by Senator Ted Kennedy (D-Mass.), that it would closely monitor middle distillate prices and reinstitute controls if prices increase by more than 2 cents per gallon.

That pledge, and the closeness of the vote (208-194 in the House and 52-32 in the Senate) may be indications that members of Congress are not taking decontrol as lightly as some had feared after they allowed residual oil controls to expire quietly on June 1 of this year. The close vote is especially significant in view of the massive lobbying effort by the petroleum industry and FEA pressure on behalf of decontrol.

Many congressmen seriously questioned the soundness of FEA evidence recommending decontrol. In floor debate, Rep. Dingell noted that the FEA's studies had failed to consider the impact of the predicted natural gas shortage on demand for middle distillates. He said that the FEA had based its calculation of demand on an unusually mild winter, and that it had used some of the lowest available world market prices for middle distillates to predict a ceiling on American prices.

FEA representatives, testifying before the House Committee on Interstate and Foreign Commerce, admitted the shortcomings of their study, but said that increased production and, if necessary, a return to price and allocation controls, would offset the effects of a natural gas shortage and higher demand.

However, James L. Feldesman, counsel to the Energy Policy Task Force, warned Senate and House Committees that it is naive to assume that FEA can quickly reinstitute controls if a crisis occurs. "Middle distillate de-control will subject the consumers, workers and industries of this nation to a major gamble that somehow everything will be all right," he said.

World Hunger—Food For Thought

The critical problems of domestic and world hunger were the subject of two distinctly different conferences held last month in Ames, Iowa. While the World Food Conference brought together directors of the global agribusiness community, the People's Food Conference assembled a group of concerned consumers, small farmers, religious leaders, labor organizations, students and professors.

Both groups claim a similar objective—discovering a way to provide every human being on earth with a nutritionally adequate diet. The similarities end there. For the agribusiness group, food is viewed as a means to political and economic power. For the others, food is for people, not for profit.

One keynote speech at the People's Food Conference, by Joseph Collins, identified the underlying philosophical differences between the way agribusiness and people view food. Collins, co-author with Francis Lappe of the forthcoming book *Food First*, clarified and repudiated six myths regarding food production and distribution in developing countries.

By identifying and analyzing these myths, we can begin to develop a new international food policy that puts people first.

Myth One: People are hungry because of scarcity

In the early 70's there was enough grain alone to provide everyone with over 4,000 calories a day. In Central America where 70% of the children are undernourished, half of the agricultural land grows crops only for export; in the Sahel, exports of cotton and peanuts actually increased during the drought. A recent ILO study shows that where the focus is on production, the majority of people are worse off than before.

Myth Two: We cannot both feed people and save the small farmer

A study of 83 countries shows only 3% of landholders control 80% of farmland, yet another study of Latin

American countries found the small farmer to be 3 to 14 times more productive per acre. In Colombia, the large landholders only cultivate 4.2% of their land. In Thailand plots of two to four acres yield almost 60% more rice per acre than farms of 140 acres or more.

Myth Three: We have to choose between increased production and ecological integrity

In Africa, sediments suitable for permanent crops and grazing have been torn up for peanut export plantings, thereby encouraging erosion. The Amazon is being deforested, yet the large estates are left intact. Pesticides often are not necessary—only about 20% of U.S. cropland now uses them. They also can increase insect-caused losses and kill fish in nearby streams. China's early warning system of youth patrols have reduced damage of wheat rust and rice borer to less than 1%.

Myth Four: Hunger is a contest between rich and poor nations

Instead it is caused by a social process, not geography. "Poor nations" assumes government officials there represent the majority, and that concessions and foreign investments will help the bottom 40%. U.S. farmers and workers actually have the same interests as those abroad—losing their jobs and contracts as multinational firms divert production of vegetables and fruits to the prime lands of developing countries. U.S. Government studies show that Ralston Purina's mushrooms grown in Korea don't sell for a penny less than those produced stateside either, no benefit to "rich" consumers.

Myth Five: An Underdeveloped country's best hope is to export those crops in which it has a natural advantage, using earnings to import food and industrial goods

There is nothing "natural" about concentration on low-nutrition crops; the same land that grows cocoa, coffee, tea and sugar can grow an incredible diversity of grains, high-protein legumes, vegetables and fruits. Reliance on a limited number of crops also generates economic vulnerability and extreme price fluctuations. As a result between 1961 and 1972, half of the metropolitan countries increased their earnings from agricultural exports by 10% each year while 18 underdeveloped countries earned less from such exports over the period. Even when commodity prices rise, self-providing farmers are often pushed off the land as values rise. Export-oriented agriculture also imports capital-intensive technology to maximize yields and product specifications, causing more unemployment. Trade should come after people feed themselves first.

Myth Six: Hunger results from maldistribution

Distribution is but a reflection of the control over the resources that produce food: who controls the land determines who can grow food, what is grown, and where it is consumed. In fact there is no country in the world in which the people could not feed themselves from their own resources. But inequality is the greatest stumbling block to development, and food security is most threatened by elites that span all market economies. However, 40% of all people living in "underdeveloped" countries have already eliminated hunger through their common struggle.

Soft Drink Bottlers Seek Soft Antitrust Laws

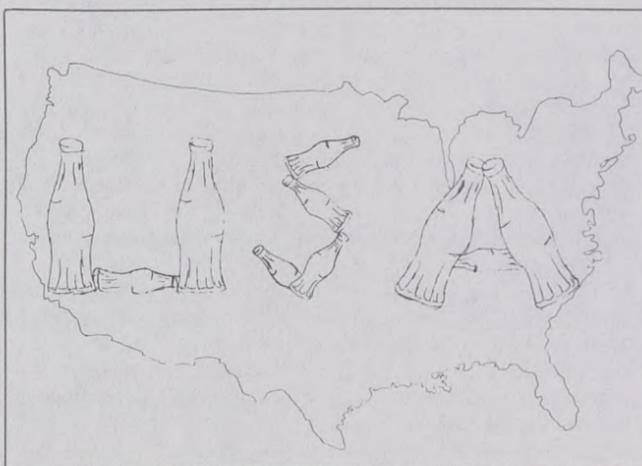
For the third consecutive year the soft drink industry is lobbying for legislation that would exempt the industry from antitrust law. This is a major concern to consumers, as they purchase more than 5 billion of the pop annually, or approximately 5% of their food budgets. Last year the bill passed the Senate but failed in the House. This year, unfortunately, prospects for passage have improved. The bill, HR 6684, has already received near unanimous support from the House Commerce Committee. Rep. John Moss (D-Cal) being the only dissenter. The Judiciary Committee has jurisdiction over the bill until the 27th of July. The Senate is also considering a bottling bill (S. 3421). There may be reason for hope as Senators McGovern (D-SD), Bayh (D-Ind), and Tunney (D-Cal), who co-sponsored the bill last year, are not doing so this year.

Specifically, the legislation seeks to reverse the decisions of the Supreme Court which have concluded that it is illegal for a manufacturer to limit the area within which its independent dealers can seek customers. In *United States v. Arnold, Shwinn & Co.*, which involved the same type of anticompetitive arrangement that the bottlers are now seeking to validate, the Court ruled that "the very purpose and inevitable effect of the arrangement is to restrain trade and limit competition."

Paying for the Real Thing

In order to comprehend the significance of the bottlers' demand it is necessary to understand how soft drinks reach retail outlets. The first ingredient is syrup, which is currently produced by an oligopoly of eight firms (Coca-Cola, Pepsi, Cott, Dr. Pepper, Seven-up, Canada Dry, Royal Crown, and Crush.) The syrup is sold to bottlers who add carbonated water and package the final product. They, in turn, sell the finished product to retail outlets. All of the syrup manufacturers, with the exception of Seven-Up and Crush, also bottle some of their own product. Indeed, the nation's two largest bottlers are Coca-Cola and Pepsi. The basic problem for retail outlets, and hence consumers, is that the sale from the syrup company to the bottler is a territorial franchise. Within a specifically defined geographic area the syrup company agrees not to sell its product to any other bottler, and the bottler agrees not to sell its product in any other area. Thus, a supermarket chain which owns stores in two different zones may have to pay two different prices for an identical good. The chain is restrained from stocking both stores at the better price. This is actually the case for a woman who owns two markets, three miles apart. The bottler producing at the better price refused to stock the other store. The immediate consequences are obvious: Some or all of the price differential will be passed on to consumers, the more efficient bottler cannot expand, and the inefficient bottler has little incentive to be efficient.

The first, and most frequently used industry argument is that the legislation is necessary to protect the small bottler; the small businessman is as sacrosanct as apple pie and mother. Before commending the major bottlers for their charity in sticking up for the little guy, an examination of the structure of the bottling industry is in order. The bottling industry is dominated by the large firms, and the trend is toward increased domination. The top four firms bottle 64% of all soft drinks, the top eight produce 85%. In 1950 there were 6000 firms, in 1960, 4600. There are now less than 2300 firms. Before introduction of the legislation Coca-Cola had a department explicitly titled "bottler consolidation division." Its goal (which is still pursued by a more euphemistically named department) was to decrease the number of firms bottling Coke from 558 to 78 by 1980. If the empirical evidence is not enough to discredit the bottling industry motives, then the double think that the



National Soft Drink Association (NSDA) expects the country to swallow, along with its product, is. The NSDA, which supports the legislation, stated in a private trade journal its belief, which has almost universal currency:

"Many of today's franchise boundaries, while well suited to earlier modes of transportation, have become too small to allow individual bottlers to capitalize on established retail/trading areas."

Small? Business

This bill will save the small businessman only if Westinghouse, General Tire, Coca-Cola, Pepsi and other bottlers in the top 1000 industrials are considered small business.

The current system does not merely allow the erosion of small business to continue, it also inhibits the growth of independent enterprise. Small bottlers, because of geographic restrictions, are unable to expand and capture the full extent of economies of scale in an industry where volume is a cornerstone. Further, in a neutral market, there is a natural safety mechanism, transportation costs, that would prevent the extinction of the independent producer. These costs are extremely high in the bottling industry. In fact, it is cheaper to build a new warehouse than to transport soda more than 100 miles.

The second argument is that territorial guarantees are necessary to attract adequate investment. It is difficult to understand why rate of return, which adequately allocates capital in other industries, cannot function in a socially desirable manner in this case. Any funds attracted into the soft drink industry over and above what would be attracted by the rate of return are clearly superfluous, and should be invested in another industry. Not even the bottling industry has explicitly stated (yet) that soft drinks are so vital to the national interest that they deserve to be subsidized.

The third argument is that territorial arrangements are necessary to insure adequate geographic coverage. Cross-subsidization may be justified for the post office, but it is not justified for the bottlers. The bottlers argue that without the agreements all but the cities will dry up or pay dearly for their pop. Even if this were the case, which it clearly is not, a larger question, one that answers itself, is presented: If cross-subsidization is valid, is the corporation the appropriate arbiter of the terms of subsidization?

Those Clever Japanese

The final industry argument is that interbrand competition among the syrup manufacturers mitigates the monopolistic effects of the absence of intrabrand competition among the bottlers. This is patently not the case. The FTC estimates that the cost of overcharges to consumers because

Your Public Servants & Ours

THE WHITE HOUSE
Washington

April 12, 1976

Dear Sirs:

For some time Mr. Jeffrey P. Eves has been on your mailing list to receive a copy of all materials published by your association. Mr. Eves has recently left the White House staff to return to the public sector and it would therefore, be sincerely appreciated if you would delete Mr. Eves' name from your mailing lists.

To the White House:

We at Consumer Federation of America have long suspected that the White House did not consider itself part of the public sector.

of imperfect competition is in the order of a quarter of a billion dollars annually, or 5% of all sales. An example is instructive. A Japanese bottler of Coca-Cola was able to export Coke to California, despite the exorbitant transportation costs, and still undersell the bottler with the franchise. Of course, Coca-Cola quickly put an end to such subversive

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This June, the groups began organizing a strike against Indiana & Michigan Electric Company. Their aim is to withhold consumer payments until utility reforms are instituted. The Center is currently trying to collect 100,000-150,000 petition signatures, a number they consider necessary for a successful strike action.

Their goals are to curb persistent wholesale and retail rate hike requests, to return the City Light utility to municipal ownership and to restructure rates to accommodate lifeline rates, time-of-day and peak-load pricing and to end "promotional" rate structures.

Related utility actions include working for passage of the Utility Consumers Bill of Rights and participating in hearings to prohibit utility users' payment of company advertising.

In the food area, the Consumer Center has published a variety of informational surveys including studies on weekly grocery prices in the area, drained weight, fat content in hamburgers, nutritional value of breakfast cereals and odd sized packages. They also co-sponsored Food Day in 1975 and 1976 and their participation included the feeding of a nutritional meal to over 200 people for the astonishing price of 35 cents each.

The Center works closely with low and middle income residents of Fort Wayne and has organized tenants in two housing developments, as well as exposing illegal and unethical practices by inner city landlords.

One of their newest projects has been to attack the United Consumers Club, which claims to give consumers substantial discounts on a variety of products. The Center has found the United Consumers Club to be neither united nor a club. In fact, according to Allan Classen, "The UCC is little more than a mail order system with a whopping \$500 membership fee. Despite rhetoric about bypassing middlemen, UCC eliminates no steps involved in ordinary mail ordering, and doesn't even receive bulk shipping reductions available to many retail stores."

The Center began investigating UCC over a year ago after receiving a large number of complaints about the inequity of the Club's contract which does not permit cancellation. In response to increasing consumer dissatisfaction, several Center members surveyed 17 products offered in the catalog and found a small 6% savings over local retail stores. This small savings, however, was eroded by delivery and installation costs.

The Center is currently seeking to work with other citizen groups across the country experiencing similar difficulties with buying clubs.

In spite of all this important and critical work, the Consumer Center has had its share of financial problems. The Maplewood Mennonite Church, which was so supportive in the beginning, voted to discontinue funding of the Volunteer Service Program which supports the Center's activities. Classen says the funding withdrawal was related to

Democratic Platform

Cont. from pg. 1

CFA went into considerable detail about necessary government action to protect citizens from corporate abuse, while stressing the need for improving federal antitrust activities. The platform made a general commitment for vigorous antitrust enforcement and the encouragement of policies to protect small businesses and small farms. It did not, however, spell out specific ways to accomplish this and did not endorse CFA's explicit suggestions which included passage of the Industrial Reorganization Act to outlaw monopoly and oligopoly power on a national level or similar measures to make monopolies illegal in local markets, a condition which is particularly prevalent in food retailing.

Antitrust in the energy field was favored, as the Democrats supported effective restriction of the rights of major oil companies to own all phases of the oil industry (vertical integration) and legal prohibition against corporate ownership of competing types of energy (horizontal integration). The platform also pledged support of the development of alternative systems of energy to replace diminishing oil and natural gas supplies and called for the reform of utility rate structures to ease the burdens on residential consumers.

The platform differed with CFA in its decision to "support the Capper-Volstead Act in its present form." CFA stated that the immunity from antitrust laws conferred upon farmers by the Capper-Volstead Act was intended and should be limited to those actions which do not violate the antitrust laws. CFA urged Congress to re-examine the adequacy of Capper-Volstead and of marketing orders and marketing agreements for their anticompetitive nature and possible adverse effects on consumers.

Also missing was definitive support of legislation which would allow state government to sue antitrust violators on behalf of all citizens (parens patriae) and of the concept of federal corporate chartering to make giant corporations accountable to the affected publics of nations, communities, workers and consumers.

The platform also failed to specifically support the Family Farm Act which would prohibit farming by corporations with more than \$3 million in non-farm assets, No-Fault Automobile Insurance and various pieces of legislation to improve consumer rights and information in the credit and banking areas.

the congregation's disapproval of the Center's consumer advocacy policies.

In order to meet operating expenses, the Center has embarked on a major canvassing effort. They are raising funds through door-to-door collection efforts by the Center's workers. "Contributors can see that supporting the Consumer Center has a clear possibility of improving their lives," Classen notes proudly. "Consumers can expect a return from their investment quite apart from the humanitarian appeal of helping a worthy cause."

Their drive is working, and for the immediate future, consumers in Ft. Wayne will retain the services of this small, dedicated group which has not only saved them thousands of dollars, but which is continually working to expose, confront and attack economic injustice in the community.

For further information contact the Consumer Center, 428 E. Berry Street, Ft. Wayne, Indiana 46802.

The Democrats did make a strong commitment to the creation of comprehensive National Health Insurance with universal and mandatory coverage and built in cost and quality controls.

In the area of agriculture, the Democrats severely criticized the Nixon-Ford Administration's record of favoritism to giant corporate agricultural interests. They give top priority to the establishment of a national food policy which would be fair to producers and consumers and is based on the family farm agricultural system. They call for maximum production and reasonable price stability through parity income assurance and the establishment of farmer-held food reserves to protect against famine.

One additional CFA suggestion, to encourage and promote the development of consumer check-offs to support the formation and maintenance of consumer advocacy groups, also failed to be included.

This has been a brief summary of some of the key consumer provisions in the 1976 Democratic Party platform. Consumers are encouraged to read the entire document and to use it as a guideline to get specific commitments from all candidates on these and other consumer issues, which will become even more important in the next four years.

Bottling

Cont. from pg. 3

practices by curtailing syrup shipments to the Japanese company. Further, stores in zones whose bottlers do not manufacture reusable bottles are restrained from purchasing reusables from other sources. This is unconscionable from an environmental viewpoint.

In addition to the outrageous overcharges that would be given legitimacy with the passage of such legislation, there would be other equally, if not more serious, consequences. The day after the President signed the bill, the dam would burst and Congress would drown in a flood of bills calling for the exemption of every other industry; no amount of emergency relief would be able to restore the consumer his hard fought rights. The private food label industry, which was ruled to be in violation of the antitrust laws in the *Topco* case, has already piggybacked the bottlers. The House version calls for an exemption of both industries.

There are many reasons why Congress is supporting the bill. First, the issue is extremely complex, and most Congressmen are convinced by the industry's masquerade of the bill as pro-small business. Second, there is at least one bottler in almost every Congressional district, and the bottlers are lobbying actively.

The American consumer has fought a hard ninety year battle to control the corporation and to be charged a reasonable price for its products. That this effort is being seriously jeopardized by so capricious a piece of legislation is evidence of the fragility of consumer rights and the shortsightedness of Congress.

It is important to communicate with your Senator and Representative expressing **opposition** to S. 3421 and H.R. 6684. Hearings are now being held and Members of Congress must hear from consumers—not just from the bottling industry lobbyists. The next **CFA News** will include an article on the second half of this issue: The private food label industry, whose arguments are equally as untenable as those of the bottling industry.



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CFA News is published each month except August by the Consumer Federation of America, 1012 14th St. NW, Washington DC, 20005
Annual Subscription rate: \$20.00/yr.

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