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consumer federation of america

Washington, D.C.

November/December 1976

CFA Announces Annual Forum

The first weeks of the new administration are crucial in the formation of consumer priorities for the next four years. Each new official has the obligation to develop an agenda which includes specific programs relating to consumer rights in the government and in the marketplace. Consumers must play a major role in the development of these policies and programs.

Consumer Assembly '77, to be held February 9-12 at the Statler Hilton Hotel in Washington, D.C., will offer a unique opportunity to meet, hear, and exchange views with our country's new leaders. Invitations have been extended to President-Elect Carter and Vice President-Elect Mondale, and will be extended to Cabinet members and agency heads as they are appointed. We have every confidence that many of these officials will welcome the chance to address the nation's largest consumer gathering. In addition to prominent members of the administration, key congressional members will be participating. An audience composed of the country's leading consumer advocates and officials, farm and labor leaders, government and industry representatives will be present to evaluate and comment on each presentation.

Consumer Assembly '77 will also feature a series of afternoon workshops for state and local consumer activists. Topics such as utility reform, fundraising, organizing initiatives, and publishing surveys are among those being considered. A questionnaire designed to give local leaders the

opportunity to determine the directions of these workshops has already been mailed. "In order to make Consumer Assembly '77 a useful tool for the further education and development of our constituents, we urge all interested parties to contact us with ideas and suggestions for workshop topics, materials and participants," stated Carol Tucker Foreman, executive director of CFA.

Workshops designed to strengthen the effectiveness of state and local consumer protection officials are also being planned. There will be practical sessions on innovative consumer education and complaint resolution programs. Novel state and municipal consumer legislation, as well as model statutes and clearinghouse information, will be discussed.

Sara Newman, CFA Board Member has been named chairperson of Consumer Assembly '77.

Registration materials and hotel reservation cards have been mailed. A registration form appears on page 4. Reservations should be made immediately.

The goals of Consumer Assembly '77 are to develop national consumer priorities in areas such as citizen participation, health, energy, food and credit and to seek endorsement of those priorities from our new leaders. At a time when the administration is fresh, when officials are open to change, and consumers are ready for action, you are strongly urged to come "Face to Face with the New Leadership" at Consumer Assembly '77.

Consumer Assembly '77



Face to Face with the New Leadership

February 9-12, 1977
Washington, D.C.

Consumers Triumph in '76 Congressional Elections

"We are delighted by the extreme success of our first venture into candidate endorsement," stated CFA executive director, Carol Tucker Foreman, in announcing that 96% of the candidates endorsed by CFA were successful in their attempts to win election or re-election to the Senate or U.S. House of Representatives.

Of 82 House incumbents endorsed by CFA, 80 were re-elected. Nineteen of these were candidates in closely contested races. Among the heavily challenged incumbents endorsed by CFA were Representatives Downey, Drinan, Eckhardt, Hechler, Meyner, Mezvinsky, Mikva and Spellman. The Federation actively campaigned for the re-election of Representative Mikva.

Of seven non-incumbents running for the House and endorsed by CFA, five were elected. Of particular

importance among these was the election of Leon Panetta in the 16th district of California. Panetta defeated Representative Burt Talcott whose anti-consumer record had been attacked by CFA for several years.

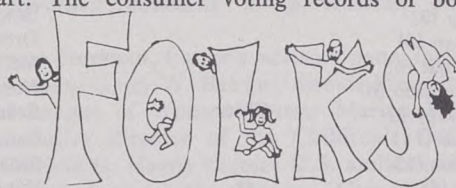
Both Senators endorsed by CFA—Kennedy and Muskie—won by large margins. CFA also endorsed three non-incumbent candidates for the Senate. All were elected. "We believe Senators-elect Matsunaga, Riegle and Sarbanes will be strong additions to consumer voting strength in the Senate," Foreman stated. "Matsunaga succeeds retiring Senator Hiram Fong. Sarbanes replaces Senator J. Glenn Beall who consistently opposed consumer measures. We expect Senator-elect Riegle to be a worthy successor to our very devoted champion, retiring Senator Philip A. Hart. The consumer voting records of both

Sarbanes and Riegle are in sharp contrast to those of their opponents, Senator J. Glenn Beall and Representative Marvin Esch. In both races their consumer votes were an issue in the campaign."

CFA took an active role in several tight races. In addition to working on behalf of Representative Abner Mikva, CFA staff members campaigned for Representative-elect Leon Panetta and Senator-elect Don Riegle. "We also actively opposed the re-election of Senator Bill Brock and Senator Robert Taft," Foreman added. "We believe it is essential that members of Congress understand that their records will be made known, that we will assist our friends and that we will let consumers know who votes consistently to shut consumers out of government decisionmaking, opposes efforts to improve product safety and protect consumers' pocketbooks. We do not have the ability to make large campaign contributions, but we can and will make the record known to the public and urge consumers to vote to protect their health, safety and economic interests."

Focus On Local Consumers This Month: Consumer Affairs Committee

Americans for Democratic Action, Greater Washington Chapter



It began with whispers—whispers that food prices in the inner city supermarkets were higher and more erratic than food prices in supermarkets in the surrounding suburbs. While the whispers were heard in every inner city in the nation in 1970, it was in Washington, D.C. that three consumers formed their own fact-finding mission and surveyed food prices in the D.C. metropolitan area. Their findings were so informative that they were invited to present them at Congressional hearings.

That was the nucleus for the formation of the Consumer Affairs Committee, Americans for Democratic Action. The Consumer Affairs Committee is organized under the Greater Washington Chapter of ADA, a non-profit, independent, membership organization founded in 1947. The local ADA chapter has a membership of 1200 for whom the Committee speaks directly on local issues. Indirectly, the Committee represents all consumers in the Greater Washington area.

Composed of 35 dedicated volunteers, the Committee in recent years has engaged in investigative research, surveys, and questionnaires on a broad range of consumer issues including consumer credit, rising energy costs, fair trade laws, food and non-food item pricing practices, food quality, unsanitary conditions in drug stores, markets, and

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List of CFA's Successful Congressional Endorsements, p. 2

The consumer voting records of several members of Congress were used heavily by their opponents in races where CFA made no endorsements. One of these was the California Senate race where Senator-elect Hayakawa emphasized that Senator John Tunney scored only 35% on CFA's 1976 voting record.

Of members of Congress who were defeated for re-election, only three scored more than 75% on CFA's record. Of U.S. Senators defeated for re-election, none scored higher than 75% on CFA's record.

"Despite our success, we are particularly distressed by the loss of Representative Edward Mezvinsky and Senator Frank Moss," Foreman said. "Consumer related issues were not heavily discussed in either race but they were both strong supporters and we will miss them."

CFA's \$1200 Political Action Fund was used to cover printing, mailing and administrative costs involved in endorsing the 94 Congressional candidates. No cash contributions were made to any of the candidates.



Volunteers Debbie Wager and Charlye Molloy check items in D.C. area stores for annual holiday toy price survey.

Speak Out!

Supermarketing in the Inner City—

By Gardner H. Stern, Jr.
President, Hillman's Fine Foods
Chicago, Illinois

A New Formula

Nutritionists, economists, social welfare agencies, the government and others decry the dearth of new, modern chain supermarkets in low income sections of our major metropolitan areas. Supermarket chains have fled, leaving the turf to the small independent food stores, many of which offer credit and high prices, and to the notorious "ghetto gougers." As a result, large numbers of those who can least afford it are forced to pay a premium for food.

The American chain supermarket, with its characteristic quality control, wide selection, and competitive prices, is generally regarded as an efficient mechanism in the food distribution process. With reasonably justified pride, the supermarket industry points to the fact that Americans, despite serious increases in food costs, still pay a relatively small percentage of annual income for food consumed at home, in contrast to Western Europe, the USSR and elsewhere.

Although the supermarket industry has made its share of mistakes, its decline in the inner city is based on real and serious operating problems. The lack of chain supermarkets doesn't represent any conscious plot to deprive the most needy of an essential service. Rather, it appears to have been a logical, if unfortunate, ramification of our economic process.

The system makes profit and/or return on investment a major objective. Solutions to social problems often must defer to and/or be addressed within the context of profit objectives. Business executives—the professional managers—are conditioned by education, training, experience, stockholder pressure and society to maximize the thrust for profit. The so-called "bottom line" is a harsh and impersonal taskmaster, as the ranks of unemployed chief executive officers attest.

Supermarket chains reflect, as one would expect, this same outlook. By the early 70's, a look at "the numbers" generally indicated to supermarket chain executives that not only were stores in low-income areas less profitable, but also that considerably better profit opportunities for new stores lay in the burgeoning suburbs.

As a rather low profit industry, supermarkets need more space to experiment with higher margin categories such as health and beauty aids, hardware, small appliances and soft goods. Such expanded stores and the necessary parking space to attract customers from greater distances, require locations near the affluent. The flight of the more affluent middle class from the city was logically followed by those service businesses for which there were customers. Simultaneously, few shopping centers were being built in

central cities where large tracts of land, necessary for parking and bigger stores, simply aren't available at a reasonable cost. Assembling the required size piece of property in an inner-city location often is fraught with extraordinary difficulties and expense. Multiple ownership, zoning limitations, political considerations, and declining income levels in the primary trading area are among the more obvious. Developers' woes ranged from vandalism to construction delays. Because of the many hazards, investors often are unable to obtain long-term financing.

The genuine operating problems of supermarkets in low income areas have been thoroughly documented elsewhere. Recent studies show that operating costs are higher. Security, insurance, maintenance, personnel training, lower average sales, and a host of similar problems have been confirmed and quantified by several recent studies, particularly that of Donald R. Marion of the University of Massachusetts.

A NOVEL ALTERNATIVE

In this generally depressing and seemingly hopeless situation, however, one small but significant experiment, the TWO/Hillman's supermarket, represents a viable inner city food retailing strategy.

This well-stocked, colorful store, now in its seventh successful year, is located in Woodlawn, deep in the heart of Chicago's South Side black ghetto. Woodlawn is one of Chicago's lowest income areas and lost 27,000 people between 1960 and 1970. The area has been wracked by gang warfare, arson and all the other signs of serious deterioration

which make for the kind of neighborhood shunned by chain store managements and where more stores close than open.

TWO/Hillman's is a supermarket venture which solves many of the typical operating problems and suggests a formula for overcoming the scarcity of modern food shopping facilities in low-income urban areas. Furthermore, the basic conceptual, organizational and operational characteristics of TWO/Hillman's appear reasonably duplicable in other low income areas.

The unique and innovative feature of the TWO/Hillman's supermarket venture is the store's joint ownership by a community organization, The Woodlawn Organization, and an old-line Chicago supermarket chain, Hillman's Fine Foods, of which I am President.

TWO is a 15-year old social service community agency serving the Woodlawn area. After early years of demonstration and confrontation, it has now moved into economic development and ownership. Among its enterprises are several residential areas, a movie theater, a

shopping center, and its share of the TWO/Hillman's ownership. In 1969, TWO was seeking a supermarket tenant for its Woodlawn Gardens Shopping Center. Most chain managements, looking at the location and the situation immediately following the 1968 riots, were understandably reluctant. Hillman's, however, with a long history of progressive marketing in low-income areas, saw a marketing opportunity in Woodlawn.

For some time Hillman's had been seriously contemplating many aspects of retailing in low income areas. We were convinced that sharing ownership and profits with the community could be the wave of the future in the inner city by stimulating the local community to have a positive attitude toward the retail institution. For our firm it meant greater security and acceptance. For TWO it meant a share of profits and a sense of meaningful participation.

LOOK AT THE FORMULA

Under the joint ownership formula, the venture qualified as a minority enterprise, two-thirds owned by The Woodlawn Organization, and thus eligible for a Small Business Administration loan. This loan covered the cost of fixtures and equipment for the store, and significantly reduced the necessary investment of both Hillman's and TWO's funds. Meanwhile, the TWO/Hillman's Corporation executed a Management Agreement with Hillman's, under which Hillman's is in effect hired to operate the store. The Management Agreement represents recognition by both partners that the venture's objective is a successful supermarket, which requires that the store operator be permitted maximum freedom to run the store. Under the Management Agreement, TWO/Hillman's hires Hillman's Inc. to run the store as if it were any other Hillman's corporately-owned supermarket. Every aspect of store operations, marketing, advertising, buying, merchandising, packaging, labeling, recruitment, employment, training, and discipline, is in the hands of the presumed experts. The operation is subject to independent outside audit so as to guarantee that costs and retail prices are maintained the same as other Hillman's stores.

For providing this range and assortment of line and staff services—all the supervision, expertise and experience which a chain accords its corporately-owned stores—Hillman's, Inc. receives a management fee. The management fee was determined by and based on Hillman's corporate general and administrative expenses charged to its own stores, ranging from corporate advertising, accounting and procurement services to warehousing and distribution.

Although day-to-day management is entirely in Hillman's hands, TWO/Hillman's has a 6-person Board of Directors, 4 representing TWO and 2 representing Hillman's. The Board has certain specifically-designated powers, such as the approval of the Store and Assistant Store Managers and financial decisions on purchasing new fixtures and contracting for major repairs.

A key, however, to the community's sense of control is that Hillman's management is retained for only 3 years at a time, under a self-renewing clause in the Management Agreement. Therefore, should the community feel that Hillman's is operating unsatisfactorily, or should the community decide it has the necessary expertise to take over operations itself, the Management Contract could be cancelled at the end of any 3 year period and Hillman's could be bought out for a nominal cost. Hillman's has a similar right of cancellation. However, both partners are extremely pleased with the success of the venture to date and the likelihood of cancellation by either partner is increasingly remote.

IT WORKS

At present, TWO/Hillman's is looking for a second store as part of an expansion program. Not only is TWO/Hillman's generating profits which flow back into the community of Woodlawn, but its critical operating expenses and ratios are in line with those of the rest of the Hillman's chain. Sales per manhour are the highest of any Hillman's store, profit margins are satisfactory, and pilferage is not exceptionally high. Not only do the profits help the community of Woodlawn, but the store itself creates tangential benefits. For example, most of its 55 member staff are residents of the Woodlawn area. In addition, TWO/Hillman's uses the services of the local Woodlawn Security Patrol for parking lot and in-store security service, advertises in the *Woodlawn Observer*, the community-owned newspaper, and pays its monthly rent promptly to The Woodlawn Organization, landlord of the shopping center.

Time and space do not permit a more detailed elaboration of the TWO/Hillman's supermarket partnership. However, the major facts are that it works, that it is based on sound, viable economic principles, and that it is a formula which can and should be duplicated elsewhere.

TWO/Hillman's in its small way is, in my opinion, a healthy example of how concerned private enterprise, local community organizations, and government resources can be innovatively combined to solve serious socio-economic problems in a way that is beneficial to all.

CFA's Successful Congressional Endorsements

INCUMBENT	Massachusetts:	Early (3)	Bingham (22)
		Drinan (4)	Ottinger (24)
		Tsongas (5)	McHugh (27)
Senate		Harrington (6)	Nowak (37)
Maine:		Moakley (9)	Seiberling (14)
Massachusetts:		Burke (11)	Carney (19)
		Studds (12)	Stokes (21)
		Carr (6)	Vanik (22)
House of Representatives	Michigan:	Diggs (13)	Weaver (4)
(District number in parenthesis)		Ford (15)	Edgar (7)
Arizona:		Brodhead (17)	St. Germain (1)
California:		Blanchard (18)	Allen (5)
	Minnesota:	Fraser (5)	Eckhardt (8)
		Nolan (6)	Harris (8)
		Oberstar (8)	Baldus (3)
	New Jersey:	Florio (1)	Zablocki (4)
		Howard (3)	Reuss (5)
		Thompson (4)	Obey (7)
		Maquire (7)	Cornell (8)
		Roe (8)	
		Rodino (10)	HOUSE INCUMBENTS RUNNING FOR THE SENATE
		Minish (11)	Hawaii:
		Meyner (13)	Matsunaga
Connecticut:		Downey (2)	Maryland:
Georgia:		Ambro (3)	Sarbanes
Illinois:	New York:	Addabbo (7)	Michigan:
		Rosenthal (8)	
		Scheuer (11)	NON-INCUMBENTS RUNNING FOR THE HOUSE
		Chisholm (12)	(District number in parenthesis)
		Solarz (13)	California:
		Richmond (14)	Panetta (16)
Indiana:		Holtzman (16)	Indiana:
Iowa:		Koch (18)	Benjamin (1)
Maryland:		Rangel (19)	Maryland:
		Badillo (21)	Mikulski (3)
			Michigan:
			Bonior (12)
			Pennsylvania:
			Kostmayer (8)

"I HOPE THE NEW MANAGER CHANGES THIS ROUTINE"



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Byington Meets the Board

He naively assumed that they would be indisputably impressive visual aids—the graphs on the chalk board, the thick packets of materials from the Consumer Product Safety Commission.

But the audience viewing them at CFA's board meeting on December 2 were not impressed.

They were eager to discuss with CPSC Chairman S. John Byington whether or not that agency was really doing its job.

"Why hasn't the Commission issued a dangerous toy list this year?" asked CFA board member Ann Brown. "Because we haven't banned any toys," was Byington's quick response, adding that the Commission hoped to have ready a proposed regulation dealing with the generic hazards of toys by February or March 1977. In other words, things may be better next Christmas. In the toy industry, however, the buying is done in February so Byington's schedule means that any regulations passed won't have an effect on consumers until at least 1978.

Another pre-holiday concern was expressed by board member Lois Felder who questioned Byington on the safety of Christmas tree lights. "You have been informed by the Underwriters Laboratory that its safety seal is being counterfeited and that there is evidence that the counterfeited tree lights may pose a safety hazard. What action is the CPSC taking?" "If the UL will find the violators, we'll do something about it," responded Byington, noting that he had personally visited warehouses and found no evidence of violations. "The very sad fact," countered Felder, "is that for this Christmas season and an unknown number of seasons to come we are left with our faulty products while waiting for your agency's proposed regulations."

By far the most intense discussion centered on Byington's recent proposal that the CPSC establish an Office of Public Counsel. His plan is a smoke screen for an attack on the creation of an independent consumer protection agency. When asked if he would actively support legislation to establish the single agency if it is proposed in the next Congress, Byington stated that newly elected President Carter should have an opportunity to work out his government reorganization plans before committing himself to an agency for consumer protection. Reminded that Carter had already endorsed the ACP legislation and promised that it would be one of the first bills passed in 1977, Byington then took the position that he was in favor of either the independent agency or an independent department within the executive branch supplemented by individual agency Offices of Public Counsel.

On a number of other issues Byington's responses were equally vague. His most frequent answer was, "We're looking into it." It would appear that Byington has been using recent forums to raise trial balloons on CPSC policy. It is not clear whether he's trying to generate a reaction from business, consumer groups, the Carter administration or all of these. It is clear that CFA's board was deeply distressed by Byington's dodge on the ACP.

Higher Gas Rates Subject to Refunds

In an important victory for consumers on November 18, the U.S. Court of Appeals ruled that producers were prohibited from charging the increases in prices for natural gas set by the Federal Power Commission on July 27, 1976, unless a refund provision was agreed to in advance should the rates later be found to be illegal. That increase would have hiked the price on new gas from \$.52 to \$1.42 mcf. An ad hoc coalition of consumer, labor farm, and other public interest groups, organized by CFA's Energy Policy Task Force petitioned for, and received a temporary stay the next day. The November 18 decision extends the stay indefinitely.

The Consumer Coalition is confident that the rate increase will be held illegal. The Coalition made four strong arguments before the court.

First, \$.43 of the rate hike was intended to be a tax relief compensating producers for the loss of the depletion allowance. However, the \$.43 estimate was based on the unsubstantiated assumption that the industry pays the maximum 48% corporate income tax.

Second, the rate seemed to be determined by the price of natural gas in the intrastate market and by the prices of competitive heating oils, rather than by the cost-based approach mandated by the Natural Gas Act and upheld by many Supreme Court decisions.

Third, the procedure used by the FPC in determining the rates was highly questionable. There were no live hearings, or cross examinations and inaccurate statistics provided by the American Gas Association on reserves were used.

Finally, the FPC ignored its own office of economics and pipeline and producer rates division which called for rates half as large as those allowed by the FPC.

Without the refund provision, consumers would lose \$183 million a month above what they now pay for gas, an estimated annual cost of between 1.5 and 2.2 billion.

On August 9, the court handed down a ruling similar to the most recent decision, allowing the higher rates to go into effect with the refund provision. The FPC ordered new hearings, which were held on Sept. 16-17. The Consumer

coalition repeated their arguments at that time. Subsequently, the FPC ordered minor revisions that did not decidedly reduce the impact on consumers. It was in response to this action that the stay of November 18 was sought and granted.

Coalition members are:

American Public Gas Association
Consumer Federation of America
New Jersey Board of Public Utility Commissioners
State of Minnesota
Minnesota Public Service Commission
Senator Hubert H. Humphrey
Public Service Commission of Wisconsin
United Steelworkers of America
United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)
International Association of Machinists & Aerospace Workers
National Rural Electric Cooperative Association (NRECA)
American Public Power Association
United States Conference of Mayors
National Farmers Union
National Farmers Organization
Energy Action Committee
Toward Utility Rate Normalization (TURN)
Industrial Union Department, AFL-CIO
County of Erie, New York
City of Buffalo, New York

CFA vs. Ma Bell

CFA's Board of Directors, meeting in Washington, D.C., on December 2, adopted a resolution opposing enactment of the Consumer Communications Reform Act of 1976.

The legislation is one of the most heavily lobbied bills in recent times. It was drafted by AT&T and is intended to restrict competition in areas of customer installed terminal equipment (answering service, miniature switchboards, telephone sets, etc.) as well as inter-city private lines of oral, written or data communication between distant offices of a business. Untold thousands of dollars have been spent by Ma Bell to persuade consumers and consumer groups that this legislation is in their best interest.

The House Commerce Committee held hearings on the legislation in September 1975. CFA, because it had no policy resolution on the issue, did not testify. It appears that the issue will come before Congress again in January.

Before adopting the resolution the Board heard presentations from John Morgan of the Communications Workers of America; Leroy Schecher, Manager, General Electric Cooperative, Inc., Bison, South Dakota; Bob Lee, National Cooperative Telephone Association; and Marty Rogol of RUCAG (Residential Utility Consumer Action Group).

The text of the resolution reads as follows:

"To the extent that no natural monopoly exists, the presumption should be in favor of competition. Concurrently, the regulatory agencies should be improved and citizen intervention encouraged, promoted and facilitated. Furthermore, no evidence exists that the impact of current policy is damaging to the Bell System. Not only is there no present evidence, but Bell profits have reached all time high levels for any corporation in history.

The proposed Consumer Communications Reform Act should therefore not be approved since it seeks to reverse some existing FCC precedents promoting beneficial competition, and does not address the problems of regulatory failure, citizen access and the communication services needs of the average consumer. CFA, therefore, opposes the "Bell Bill" and any similar legislation.

CFA urges review by Congress of communications policy issues as related to the needs of the consumer-user as well as the producer. Congressional overview and investigation should be concerned particularly with small town and rural telephone users, economic and political power of the Bell System, and long range national telecommunications policy. Particular attention should be given to the many reports that AT&T's gigantic size and power makes impossible the required regulation of the company's true tax debt to local, state and federal governments. If these reports prove to be accurate, Congress must take appropriate corrective action, such as possible breaking up or nationalizing AT&T."

Foreman Named Carter Advisor

CFA's executive director, Carol Tucker Foreman, is one of 11 private citizens personally selected by President-elect Carter and Vice President-elect Mondale to help find and evaluate candidates for the top posts in the Carter administration.

In a November 19th announcement from Plains, GA., Carter termed the group a "representative sample" of the persons who will be advising him on Cabinet, sub-Cabinet, and other high-level appointments, including important agency heads.

"In choosing the panel members," commented Foreman, "Governor Carter has begun to carry out his commitment to opening the decisionmaking process to the public." "His selection of a consumer representative reaffirms the legitimate consumer concerns in government policy-making."

In addition to Foreman, Carter's advisory panel includes three other women—Lucy W. Benson, former President of the National League of Women Voters; Marion Wright Edelman, executive director of the Children's Defense Fund; and Patricia R. Harris, former U.S. ambassador to Luxembourg and dean of the Howard University Law School.

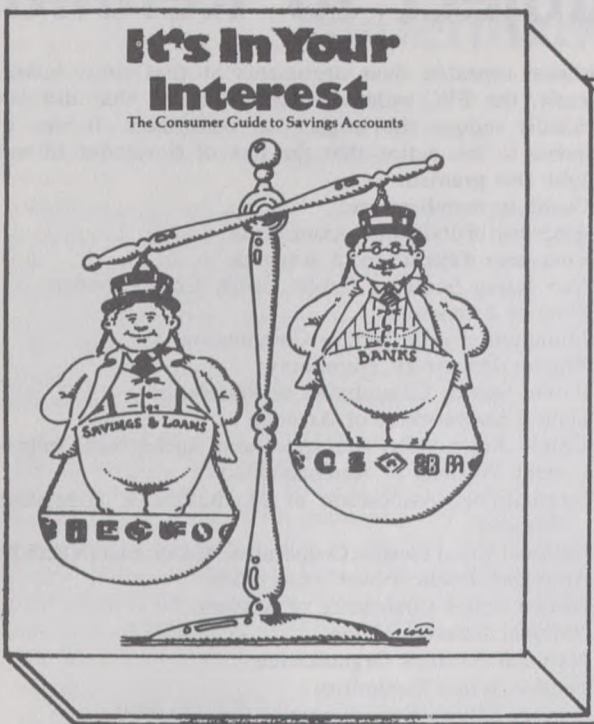
Other advisers are the Rev. Theodore M. Hesburgh, president of Notre Dame University; Lane Kirkland, secretary-treasurer of the AFL-CIO; Vernon Jordan, executive director of the National Urban League; Hank Lacayo, chairman of the Carter-Mondale campaign's Hispanic Advisory Committee, and National Democratic Chairman Robert Strauss.

Two other panel members are businessmen, Owen Cooper, past president of the Mississippi Chemical Co., Yazoo City, Miss., and former president of the Southern Baptist Convention, and Irving Shapiro, chairman of the board of duPont.

According to Foreman, the panel will not meet as a body but was asked to individually submit names of perspective appointees solicited from colleagues and constituents. The recommendations go to Hamilton Jordan, Carter's campaign manager and a director of the Carter transition staff operation, or directly to Carter or Mondale. The President-elect will augment advisory panel recommendations with advice he and Mondale will seek independently from private citizens and organizations.

There are 2,200 jobs including 10 Cabinet posts, that Carter has the option of filling after he takes office January 20.

Happy Holidays



\$\$Attention Savers\$\$

San Francisco's Consumer Action has been looking into your savings account and has made some very interesting discoveries. They're all contained in an easily understandable and thorough guide called "It's in Your Interest: The Consumer Guide to Savings Accounts."

Although the 94 page book tells Californians literally everything they need to know in order to save in that state, it's also a book for anyone, anywhere, who has a savings account or the money and inclination to start one.

To help consumers unravel the mysteries of the savings world, this CFA member group conducted a study of 26 banks and 21 savings and loans which hold the majority of the personal savings dollars in California. The most significant discovery revealed is the indisputable differences between the savings plans offered by savings and loans and those offered by banks. The Guide's unique ranking system which compares the yields, charges, and services connected with regular savings accounts rates *all* of the savings and loans higher than any of the banks.

"Outraged consumers are actually confronting bank officials with our Guide in hand," reports Kay Pachtner, who is a CFA vice president and executive director of Consumer Action. "They are informing them that they are pulling out their accounts and transferring them to savings and loans."

Some of the most interesting revelations contained in "It's In Your Interest" include:

- there are at least 84 ways to compute interest on accounts that have the same annual interest rate;
- the advantages of saving at a savings and loan far exceed the 1/4% difference in allowable interest rates;
- advertisements that claim the "highest interest allowed by law" are misleading;
- preferential loan treatment should not be the basis for selecting a place to save;
- the biggest institutions are often not the best places to keep your money.

Consumer Action, a non-profit citizens group, also published the nation's first shoppers guide to banking services, *Break the Banks*, in 1973.

I Don't Want to Be Short-Changed Any More!

Send to:
Consumer Action
26 Seventh Street
San Francisco, CA 94103

Please send me a copy of *It's In Your Interest: The Consumer Guide to Savings Accounts*. I enclose a check or money order for \$4.00 for each copy, which includes the cost of postage, handling, and tax.

name _____

address _____

city, state, zip _____

Consumer Assembly '77



Face to Face
with the
New Leadership

February 9-12, 1977
Washington, D.C.

REGISTRATION

NAME _____

ADDRESS _____

ZIP _____

ORGANIZATION _____

TITLE _____

GROUP 1 Consumer Federation of America members, similar consumer and labor groups, and government officials

GROUP 2 Industry Representatives

Although Consumer Assembly is designed to benefit consumers, we welcome industry representatives and know that they benefit as well. The differentiation in fee for consumer representatives who generally pay the registration fee from very limited treasuries and industry representatives for whom it is a business expense has been a CFA policy for several years. We feel that this policy which keeps the costs to consumer representatives as low as possible is appropriate.

PLEASE REGISTER ME FOR:

GENERAL REGISTRATION FEE

Includes all sessions, Congressional reception and two luncheons.

Group 1 Fee 50.00 _____

Group 2 Fee 200.00 _____

ONE DAY REGISTRATION FEE*

Includes sessions and luncheon.

Group 1 Fee 25.00 _____

Group 2 Fee 100.00 _____

*Indicate desired day

Thursday 2/10/77 Friday 2/11/77

CONGRESSIONAL RECEPTION ONLY

Thursday 2/10/77 Groups 1 and 2 10.00 _____

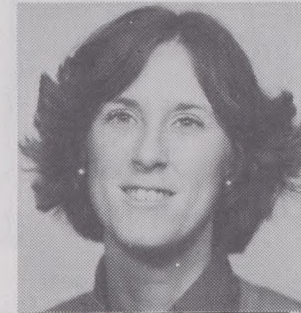
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1012 14th Street NW, Suite #901
Washington DC 20005
(202) 737-3732

CFA's New Staff

During this fall three new staff members joined Consumer Federation of America. They are Maureen Lilly, Janet Jernigan and Irene Kessel.

In September Maureen Lilly was named Assistant Director of Administration. She fills the vacancy created by Sherry Lindquist who became director of the consumer grant awarded to CFA's educational and research foundation, the Paul Douglas Research Center, by the U.S. Office of Education's consumer education grant program (see page 5.)



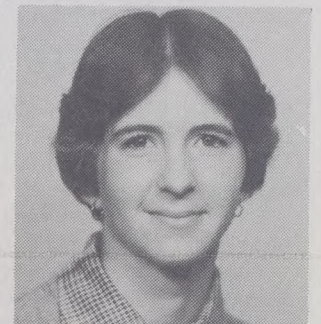
Assistant Director
of Administration
Maureen Lilly

At CFA Lilly, who holds a B.A. degree in business from the University of Maryland, is responsible for all aspects of office management and for helping to coordinate CFA's annual Consumer Assembly.

CFA's new Staff Assistant Janet Jernigan was introduced to the consumer movement two years ago when she worked as a volunteer for Arkansas Consumer Research, one of CFA's most active research groups.

Before coming to CFA, Jernigan was employed by the Small Business Administration, working in Arkansas, Texas and Michigan on the administrative aspects of disbursing disaster loans.

Her duties at CFA are to handle correspondence, mailings to Congress and the membership, requests for publications, complaint referrals and phone inquiries.



Staff Assistant
Janet Jernigan

Jernigan has a B.A. degree in psychology from Arkansas' Ouachita Baptist University where she was elected to "Who's Who in American Colleges and Universities."

Irene Kessel is CFA's first Director of Legal Research. In that capacity she assists in conducting comparative legal research on such issues as food, agricultural policy, the composition and legal implications of various advisory committees to federal government agencies and new proposed interpretations of the Truth-in Lending provisions of the Federal Reserve Board.



Director of Legal Research
Irene Kessel

Kessel received her J.D. degree in May 1976 from Georgetown University Law Center where she served as an editor of *Law and Policy in International Business*. She is admitted to the bar in the state of Massachusetts. Her undergraduate degree is from the University of New Hampshire where she majored in modern European languages, spending her junior year in Salzburg, Austria.

Kessel enjoys travelling and spent recent summers in Hong Kong and Japan. She is an accomplished classical guitarist.

Books · Papers · Reports · Books · Papers · Reports

The Health Robbers, edited by Stephen Barrett, M.D. and Gilda Knight. George F. Stickley Co., Philadelphia, PA (\$10.50). 325 pages of controversial information on how to protect your life from pretenders, to get reliable medical information, and to communicate with your doctors to get better health care. (Profits from the sale of the book will go to the Lehigh Valley Committee Against Health Fraud, Inc., an independent organization which was formed to combat deception in the health field.)

Two Faces of Malnutrition, by Erik Eckholm and Frank Record. Worldwatch Institute, 1776 Massachusetts Ave., NW, Washington, D.C. 20036 (Single copy \$2.00; bulk rates available). Ninth in a series of indepth papers with a global view. Other subjects include women in politics, population trends, energy conservation, and nuclear power.

Del Monte: Bitter Fruits, prepared by North American Congress on Latin America (NACLA). NACLA, P.O. Box 226, Berkeley, CA 94701 (Single copy \$1.25; bulk rates available). A critical study of the Del Monte Corporation—from its early history to its rise as the world's largest canner of fruits and vegetables.

FOLKS

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**Ann Brown,
Chairperson**

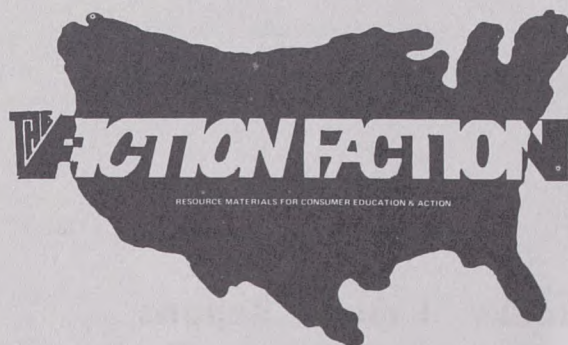
**Consumer
Affairs
Committee**

restaurants, and occupational licensing board reform. Committee representatives have testified on consumer issues before the D.C. City Council, Metropolitan Washington Council of Governments, the U.S. Food and Drug Administration, the Federal Trade Commission and several Congressional committees. In late 1974 the Committee testified concerning anti-competitive practices among major food chains before the Congressional Joint Economic Committee and in 1975 on the lack of competition in D.C. among food chains before the Senate Select Committee on Nutrition and Human Needs. Committee members often address community groups and appear on local and national television programs. One member, Justine Gubin, is currently preparing to conduct a session on "The Role of Public Interest Groups in Economic Policy Foundation" at the National Defense University; another was recently appointed to the D.C. Advisory Commission on the Study of Public Utilities.

The Committee's current chairperson, Ann Brown, is a member of the Advisory Board to the D.C. Office of Consumer Protection, a Board member of the Consumer Federation of America and a member of the steering committee of the Conference of Consumer Organizations. She was a featured panelist last month at "Drug Information for Patients", a symposium sponsored by the Drug Information Association (DIA); American Medical Association (AMA); Food and Drug Administration (FDA); and Pharmaceutical Manufacturers Association (PMA).

"How did such a small, minimally funded group of volunteers gain widespread local and national recognition in the short span of five years?" In part the group's method of operation is responsible. Each member or group of two or three members concentrates on a specific consumer issue, follows through on the development of a particular project and shares its results. The group also realized early in its

Consumer Grant Project Introduces The Action Faction



CFA's State and Local Organizing Project has suspended publication of its monthly bulletin, "You've Got to Move." Beginning this month the Project's reports on consumer activities and resources will have a different format. They will be part of a new monthly newsletter, *The Action Faction: Resource Materials for Consumer Education and Action*, published by CFA's educational and research foundation, the Paul Douglas Consumer Research Center (PDCRC) under a consumer education grant from the U.S. Office of Education.

The Action Faction will include highlights of state and local consumer group activities, in-depth articles on

development that, because Washington, D.C. is the nation's capital, its numerous organizations and the vast majority of government agencies are nationally oriented. No one was minding the consumer affairs of the residents of the District of Columbia. The Committee moved to fill this vacuum.

As a grassroots group with its ear to the ground, the Committee was able to detect and unmask consumer problems early on. Since it was located in Washington, D.C., what followed was inevitable. The nationally oriented groups and U.S. government officials turned to it for information and assistance.

Consider the present Federal Trade Commission hearings on Funeral Trade Practices Rules. An inquiry into the same subject on the local level by the mayor of the District of Columbia and subsequent proposed legislation, stimulated the FTC investigation. The Consumer Affairs Committee was represented in both phases. The FTC is also formulating procedures for advertising and marketing over-the-counter appetite depressants and other diet products. This move was preceded by the D.C. Committee's highly publicized study on the issue in December 1975, directed by Margaret Kaplan.

On a strictly local level, the Committee was active in helping to establish a D.C. Office of Consumer Affairs. It then continued to exercise its influence in restructuring it into the present and more powerful D.C. Office of Consumer Protection. Ann Brown chaired the ad hoc committee which chose its new Director.

Other successful projects the group has pursued are as follows:

— In 1973 the Committee was D.C.'s leader of the meat boycott. Ann Brown subsequently went to Iowa to meet with farmers and has spoken to farm groups visiting Washington.

— The group was instrumental in exposing filthy conditions in local supermarkets and restaurants. During its vigorous two-year campaign it drafted and pursued to passage D.C.'s new health regulations.



During the 1973 meat boycott irate Pennsylvania 4-H leaders halted their chartered bus on D.C.'s busy Connecticut Avenue to discuss farm prices with Consumer Action Committee pickets.

community-based consumer education and action programs, special features on subjects of common concern such as, federal regulatory proceedings and fundraising, and lists and summaries of various resource materials on particular consumer issues. Subscriptions will be available, without charge, to nonprofit organizations. Individuals and nonprofit organizations who are currently receiving "You've Got to Move" will automatically receive *The Action Faction*. In addition the PDCRC grant project plans to increase distribution of the newsletter to include environmental, senior citizen, low-income and community action, as well as consumer groups; state and local consumer protection agencies; state Attorneys General; "consumer" committees of state legislatures; and members of Congress.

The PDCRC project will also prepare two or three special publications and sponsor a two-day workshop/conference for consumer leaders. The special publications, designed to be used in community consumer education programs, will provide in-depth treatment of selected consumer issues. Possible topics include a description of the role and impact of federal regulatory proceedings and how citizens can act to insure that federal regulations reflect the needs of the public.

The grant project's workshop/conference is tentatively scheduled for late June 1977 and will be in Washington, D.C. The conference will focus on issues of concern to consumer educators and activists, providing access to experts and opportunities for idea-sharing. Financial assistance will be available to organizations who could not otherwise send a representative.

Coordinating the grant project's activities are project director Sherry Lindquist and two new staff members. They are Elizabeth J. Williams, research director and L. Theresa Joyner, staff assistant.

— Its surveys of auto and TV repairs led to public hearings and subsequent passage of model TV and auto repair legislation in DC.

— The first surveys in the country on open dating of products in supermarkets were done by the Committee. All local supermarket chains, as a result of the Committee's pressure, now voluntarily open date perishable products.

Many of the Committee's projects can be translated directly into dollar savings for D.C. consumers. An annual toy price survey, directed by Charlye Molloy and Debby Wager, now in its fifth year, informs holiday shoppers of selected toy prices at assorted markets in the city and surrounding suburbs. Its findings and heavy press coverage have helped considerably to stabilize prices. Likewise, a small appliance price survey conducted in December 1975 raised the price awareness of local consumers.

The Committee has never been hesitant to jump into the political arena when necessary to encourage consumer protection. Prior to D.C.'s first election under home rule, the Committee released the responses to its questionnaire on consumer concerns submitted to all candidates for mayor and city council. In September 1976, the Committee followed up with a consumer voting record of each elected official's performance during the past two years.

The widespread support of local and national media has not been happenstance but can be attributed to the painstaking and professional approach to consumer problems practiced by the Committee's members. More and more often the Committee's reputation is reaffirmed by invitations to speak at consumer forums, to share in consumer policy making sessions and to lead or join coalitions which have explicit pro-consumer aims.

The Committee does not have the staff to pursue individual consumer complaints but does act as a referral center for them. It also makes its reports and testimonies available to the public. For further information, contact Consumer Affairs Committee, 3005 Audubon Terrace N.W., Washington, D.C. 20008.

Beth has a B.A. degree in sociology and political science from George Washington University and a J.D. degree from the National Law Center of George Washington University. She has worked in consumer protection programs for two years, served as a conference coordinator for JRB Associates, Inc., and worked for the Consumer Product Safety Commission's Office of Product Defect Identification.

Before joining the grant project, Theresa was employed by the Cooperative Extension Service of the University of the District of Columbia. She also has twelve years of clerical experience with the D.C. and federal government.

The grant project, officially the National Community Consumer Education Project, will be housed in space adjacent to CFA's office at 1012-14th Street N.W., Washington, D.C. 20005.



Beth Williams



Theresa Joyner

Legislative Wrap-Up

Antitrust

After two frustrating Senate filibusters and eleventh hour House opposition, the Congress finally passed the Antitrust Reform Legislation. Supporters then sweated through a cliff hanging vigil awaiting Presidential signature which finally came on September 30th despite strong industry and administration pressure for a veto. Because the House vote (242-138) was 12 votes short of the necessary 2/3rds to override a veto, supporters were particularly relieved that Ford chose to sign the bill albeit with "serious reservations." The most important provision of the bill (*Parrens Patriae*) allows state attorneys general to file antitrust actions on behalf of the citizens of their state. In addition the legislation requires large companies to notify the government of proposed mergers and strengthens the investigative powers of federal antitrust enforcement agencies.

Although the Senate and House had passed different versions of the bill, an otherwise routine conference became impossible due to the time-consuming filibusters which had been promised by Sen. James Allen (D-Ala.). An "informal" conference was scheduled to draft a compromise which was soon adopted by the Senate on September 8 (69 yeas, 18 nays) after a successful invoking of cloture.

There was a strong feeling among certain House members that the "compromise" had been unfairly dictated by the Senate and not agreed to by House Judiciary Committee Republicans. An attempt to put that principle to a vote by seeking to open the measure for amendment failed on a procedural motion when it came for a final vote on September 16.

Congressional Veto

An issue which sounds attractive on its face but does not stand up under close scrutiny fell by two votes in the House during the final weeks of the 94th Congress. The so-called "Congressional Veto" legislation would have allowed either House to veto any agency rule or regulation within 60 legislative days after promulgation. Even a voice vote concurrent resolution would suffice. The other House would then have 30 days to overturn the veto. The legislation seems to be a rash reaction to Congressional frustration over agency rules which go too far, not far enough or are totally at odds with the legislative intent. Because the bill was brought up under a suspension of the rules a 2/3rds majority was needed for passage. The 265-135 vote doomed the bill but it is likely to rear its head next year. The "Congressional Veto" theory was embodied in dozens of bills introduced last year.

The legislation would create enormous administrative burdens. The bills do not provide for additional Congressional staff or funding to take on the task of reading and developing the expertise to adequately analyze the

countless regulations issued daily by government agencies.

In random sampling, University of Virginia law students determined that in ten workdays the *Federal Register* included 250 separate regulations adopted by administrative agencies. The executive branch and independent agencies have the staff and technical expertise to develop comprehensive and specific regulations on matters which are often highly specialized and complex. That expertise is more easily acquired because of an agency's continuous supervision of a particular industry or jurisdiction over a particular law. They have the ability and exclusive obligation to develop regulations over a relatively long period of time. There is also the serious problem posed when each and every agency regulation must be delayed for 60 to 90 days in order to ferret out the few which Congress would choose to veto.

"Congressional Veto" legislation reduces accountability. The Administrative Procedure Act which governs the administrative process requires in Section 553 that an agency must state the basis for its findings and rulings. This is a means of ensuring that the Agency, having first considered all of the record, then sets forth its reasons for ruling. Those reasons then become the logical starting point for judicial review.

"Congressional Veto" bills contain no such requirement. They do not contain a standard by which a regulation would be analyzed in the "veto" process. There is no requirement that the Agency record be reviewed or that a veto be allowed only when the record does not substantiate the Agency ruling or regulation.

Clinical Laboratories Improvement Act

Frustration abounded as last minute efforts to push a much-improved Clinical Labs bill through the House failed. The legislation (passed in the Senate last April 69-11) would have provided federal government authority to establish national standards as to personnel and facilities for clinical laboratories and prohibited kickbacks. An informal compromise had been painstakingly supported by CFA. But the House leadership, fearful of any potential time-consuming debate or amendments repeatedly took the bill off the calendar in the final days of the session.

Lobbying Reform

One of the many measures that died during the time crunch which preceded adjournment of the 94th Congress was the Lobbying Revision bill. Essentially the bill would have required annual registration of lobbying organizations and quarterly reports of their activities and expenses. The earlier Senate passed version was opposed by every major lobbying organization except Common Cause. The House passed version which involved less paper work was more narrow in scope was sent to the Senate for its consideration hours before the legislative session ended but procedural blockage effectively killed the measure.

Environment/Clearcutting Legislation

Clearcutting is a method of harvesting timber by bulk with unsightly results. An 1897 law had banned clearcutting from several national forests. Recent court decisions upheld the 1897 law and set the forest product industry lobby marching to Congress for legislative relief. Exaggerated and near hysterical claims had been raised by proponents of the legislation—claims ranging from a 20% decrease in national forest land timber, annual decreased housing supply of 200,000 homes, increased new housing cost of \$1200-\$1400, and even exorbitant costs for toilet paper.

A report of the Comptroller General's office persuasively analyzed and rebutted these allegations.

In conference the House passed bill was strengthened in several ways which made it ultimately more palatable. The measure required the Secretary of Agriculture to identify for protection "marginal" lands—lands where soil composition, slope or other watershed conditions would be irreversibly damaged by timber harvesting operations. Additionally, the present "sustained yield" procedure presently used by the Forest Service would be maintained. Under this system replanting is conducted on more than a 1 tree replacement for every tree removed basis. Rather, addition and subtraction is prudently engineered over a longer period of time.

Toxic Substances

One of the few success stories of September was passage (after much compromising and six years of effort) of the Toxic Substances Control legislation and signing of the bill by President Ford despite a feared veto. The bill calls for EPA requirements that chemical manufacturers test products that pose a risk to human health or the environment. Pre-market notification of new chemicals or proposed new uses for existent substances is required under the law. The bill also includes record keeping and reporting requirements. Not included in the bill are foods, food additives or drugs already regulated by the FDA. A controversial provision was finally included in the bill as passed. It calls for the ban of PCB's, a substance used as an insulator in electric transformers and capacitors. Much attention has been focused on the recent discovery of alarming levels of PCB's in the U.S. waterways.

Territorial Franchise Agreements

Legislation to grant a partial antitrust exemption for certain territorial franchise agreements, took a step forward when the House Rules Committee issued a rule for the bill and moved it on the House for consideration. Fortunately for consumers, the Senate did not act on the measure as Senators John Durkin (D-N.H.) and James Abourezk (D-S.D.) used and threatened to use procedural techniques to kill the measure. Undoubtedly the bill will reappear next year and consumer groups will have to redouble their efforts to defeat this classic special interest legislation which was described in detail in the Summer issue of *CFA News*.



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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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Permit No. 44772