

Consumer Federation of America

NEWS

WASHINGTON, DC

FEBRUARY-MARCH, 1977

The record-breaking attendance at Consumer Assembly '77 was a graphic demonstration of the high hopes that consumers have placed in the new Administration. Their enthusiasm was rewarded by the participation of four Cabinet level members and two regulatory agency heads—the first time that so many Carter officials had appeared before a single group.

On February 10th and 11th an audience of over 800—a 35% increase in attendance over last year—gathered to hear these top officials detail some of the problems of the American consumer and offer their individual remedies. One by one, they testified to the federal government's support of the consumer movement and stressed the importance of consumer representation under the new administration.

Juanita Kreps, Secretary of Commerce, promised those present that she would represent not only business interests but the interests of consumers as well. "I hope that this is the beginning of a continuing dialogue between consumer groups and the Commerce Department—where you give us your views on the needs of consumers—and we share with you our views on what the department can do to effectively meet those needs," urged Kreps.

One way Kreps suggested government could meet consumer needs would be by carefully monitoring industry efforts to produce appliances and other equipment that are more energy efficient, and then take action if it appears that those efforts are not sufficient. When asked whether she would actually support legislation to require performance standards for energy-consuming devices similar to those planned for automobiles to reduce the amount of gasoline used, Kreps replied: "It may come to that . . . we may very well have to mandate those standards."

Kreps also added that she would like to see the Department of Commerce actively pursue policies that will benefit consumer groups, reviving the "strong tradition of

Carter Cabinet Addresses Consumer Assembly '77



Juanita Kreps
Secretary of Commerce



Dr. James R. Schlesinger
Chief Energy Advisor



Bob Bergland
Secretary of Agriculture



Brock Adams
Secretary of Transportation

participation in consumer matters that existed during the 1960's, when Commerce as a department played a major role in the development of the Fair Packaging and Labeling Act."

In his first major speech since becoming Transportation Secretary, Brock Adams

told the delegates that "mass transit should not be considered a service to commerce, but a part of urban development—a public service needed to restore life in our cities. The fare box will clearly never pay the capital or operating costs of mass transit . . ." He used mass transit to illustrate

the need for a "combined transportation account" for financing all transportation modes. A "combined transportation account" would do away with individual accounts for each mode of transportation and incorporate the funds into one sum which then could be distributed according to need to each specific mode of transportation. It would replace current scattershot financing where government aid to one form of transportation often has had a severe impact on another.

Other matters Adams discussed were his support of a federal no-fault insurance law and the need for the administration to work closely with Congress on legislation to reform aviation regulations. Regarding no-fault automobile insurance, Adams told the group that he is awaiting results of a study of the problems that have arisen in the 16 states that have enacted their own versions. As for aviation regulations, Adams pledged that the administration will work closely with Congress on legislation to reform the regulations and make them work better to protect consumers.

In an effort to actively seek the help of the public—"the people who travel the roads, the airways and the railways"—in developing a national transportation policy and in solving national transportation problems, Adams announced plans for a series of "transportation town meetings" in nine U.S. cities. The first such meeting took place in Boston on February 23.

In a luncheon address to the Assembly, Secretary of Agriculture Bergland emphasized that "the Department of Agriculture should serve all the consumers in this country at the expense of no one. I want to bring together the producer and the consumer in this country and in some quarters this is looked on as a tragic mistake." Bergland pledged that he will make changes in his department "the likes of which have not been seen in 100 years" in a determined

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Foreman Leaves CFA



Carol Foreman displays her "farewell gift" to Consumer Assembly Audience.

Two years ago, the *Wall Street Journal* characterized Carol Tucker Foreman as an effective and enthusiastic leader in consumer affairs: ". . . try keeping up with a fast-moving redhead named Carol Tucker

Foreman. She is moving faster than ever these days because more people than ever expect her to." Similarly in 1976, the *New York Times* described her efforts: "Mrs. Foreman . . . brings to the political arena

a toughness that has made Capitol Hill politicians wary of opposing the causes she champions."

Now, after three years as Executive Director of the Consumer Federation of America, Carol Foreman has resigned to become Assistant Secretary for Food and Consumer Services at the U.S. Department of Agriculture. During a keynote address at Consumer Assembly '77, Secretary of Agriculture Bob Bergland delighted his audience when he spoke of his search for a "Carol Foreman-type" to fill the newly created position. To the surprise of almost no one, her nomination was announced shortly thereafter.

Carol joined CFA as Executive Director in March 1973. Since that time America's largest consumer organization has become a much stronger voice for consumers and a potent lobby before Congress, federal agencies, and the courts. Under her guidance and influence the CFA staff has quadrupled and the budget has tripled. While at CFA, Carol has greatly expanded the breadth and depth of issues in which CFA is involved. She consistently worked hard to build a strong farmer-consumer alliance, stressing areas of common interest and

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O'Reilly Named CFA Executive Director

Kathleen F. O'Reilly succeeds Carol Tucker Foreman as Executive Director of CFA. O'Reilly, previously Legislative Director and Staff Attorney for CFA, was elected by vote of CFA's Board of Directors on February 12. As Executive Director she is responsible for coordinating office activities and directing the policies of CFA, including the State and Local Organizing Project, the Energy Policy Task Force and the Paul Douglas Consumer Research Center.

A native of Michigan and a graduate of Marygrove College in Detroit, O'Reilly received a J.D. degree from Georgetown University Law Center in 1971. While there she won the Edward Douglass White Public Law Argument Competition as Best Advocate. As a law student, she also

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Richardson Re-Elected CFA President



Dr. Lee Richardson

At CFA's Annual Meeting on February 12 Dr. Lee Richardson was re-elected to a second one-year term as President of the Consumer Federation of America.

Richardson, an active member of CFA's Board of Directors for four years, also served as the first President of the Louisiana Consumers League. He is Chairperson of the Department of Marketing at Louisiana State University. In 1974 he resigned from his previous position as the Federal Energy Administration's first Director of the Office of Consumer Affairs because of that agency's exclusion of consumer representatives from top-level decision making. Richardson has also served as Director of Education and Finance at the Office of Consumer Affairs in the Department of Health, Education and Welfare.

Also re-elected at the Annual Meeting was Kenneth Kovack, legislative representative of the United Steelworkers of America, as Secretary-Treasurer. Glenn Nishimura, Director of Arkansas Consumer Research, was elected to serve as Vice-President, replacing Kay Pachtner of San Francisco Consumer Action.

Re-elected as Vice-Presidents were Warren Braren, Associate Director of

Consumers Union; Stephen Brobeck, President of Cleveland Consumer Action; Jacob Clayman, Secretary-Treasurer of the Industrial Union Department, AFL-CIO; Ellen Haas, Legislative Chairperson of the Maryland Citizens Consumer Council; Bill Matson, Chairperson of the Pennsylvania League for Consumer Protection; Arnold Mayer, Legislative Representative of the Amalgamated Meatcutters and Butcher Workmen and Alex Radin, General Manager of the American Public Power Association.

Newly-elected to the Board of Directors of CFA were Jonathan Lindley, Executive Director of the Credit Union National Association; Herbert Simmons, Acting Executive Director of the National Consumer Information Center; Roy Alper, Executive Director of California Citizen Action Group; Bob Kalaski, Associate Editor of *The Machinist*, International Association of Machinists and Jo Ann Clayton, Executive Director of San Francisco Consumer Action.

At the annual meeting, delegates also debated and adopted a detailed and comprehensive series of policy resolutions which are currently being prepared for distribution.

Speak Out! Federal Money for Child Care Centers

By Jackie Pope Food Research and Action Center (FRAC) Washington DC

Youngsters receive nutritious meals in many child care facilities throughout the country with the aid of the federal government. These licensed facilities are permitted to serve three meals a day plus snacks to any enrolled youngster under age 19. Nevertheless, this federal assistance, known as the Child Care Feeding Program (CCFP), falls short in reaching its goal. The objective is to provide money for a meal service in every eligible child care facility. But, less than a third of the eligible centers are in the CCFP. Consequently, children are not receiving their guaranteed federal benefits when away from home. The reasons are numerous and complex.

History

In 1968, the Special Food Service Program for Children (SFSPC), forerunner of CCFP, was enacted as a three-year pilot project. The program had two sections: a year-round child care feeding component and a summer feeding program. Obstacles were plentiful right from the SFSPC's inception. Funding was small and inequitably apportioned by statute. As a result, there were conflicts between federal income requirements and state guidelines; therefore, densely populated states were shortchanged. For instance, the statute fixed the income requirements below \$3,000. This guideline was harmful to such states as Illinois, California and New York. These states received less SFSPC money even though they had the bulk of the child care programs and the population. Another impediment was the "matching funds" requirement, which meant that a program would have to absorb 20% of the operating costs. This stipulation eliminated participation of child care facilities in poverty areas, because they lacked the necessary funds. Those were only a few of the difficulties inherent in the year round SFSPC.

Program Administration

Federal administrative responsibility for the SFSPC was assumed by USDA. State education agencies had local jurisdiction, except in 15 states* where operating the SFSPC was prohibited by state law or where the state refused to accept a

government program. In that situation, the SFSPC was directly administered by the regional USDA offices.

However, the USDA was slow to implement the SFSPC from the beginning. Its rationale was that all poor children were being fed under the auspices of the Headstart program, Title IVA(B) of the Social Security Act and the National School Lunch Program. This notion persisted despite evidence which showed that Headstart was not reaching the majority of preschool low income youngsters, especially those of working single parents. Thus, in fiscal year 1973, out of approximately 8 million needy children only 193,000 benefited from the program. The mandate to feed children was not being met. Nonetheless, Congress reiterated its support of SFSPC by making it permanent and authorizing funds through FY 1975.

The Struggle for a Stronger Child Nutrition Law

By 1975 it became apparent to everyone that a major SFSPC overhaul was badly needed. Since all the child nutrition programs were up for renewal, it appeared that the time was ripe to legislatively correct the program's inequities. First, the SFSPC's two components (day care feeding and summer feeding) would have to be separated. Pre-school feeding had its own characteristics and problems distinct from school age issues. Consequently, food advocates were determined to secure a separate legislative vehicle for day care feeding.

The results of the ensuing legislative battle and subsequent veto override brought joy to the hearts of child care food advocates and sympathizers around the country. All child nutrition programs were saved and substantial improvements were made to such programs as the school lunch and breakfast, the supplemental feeding program for women, infants and children (WIC), summer feeding, and of course the day care feeding program. This resulted in enactment, on October 7, 1975, of the National School Lunch Act and Child Nutrition Act of 1966, Amendments of 1975 (P.L. 94-105) and right there in Section 17 sat the Child Care Food Program (CCFP), flourishing as a separate entity.

Advocates were extremely proud, and they believed with this law many young children would no longer be subjected to the hunger nightmare.

Significant gains were made and serious program flaws, evident in SFSPC, were eliminated. Funds would never again be a problem; the CCFP was open-ended, any eligible program which applied would be funded. The day care food service would be paid for entirely by the federal government, the matching requirement was gone. A separate equipment allocation was provided so that needed food service equipment could be purchased. Child care programs could enter the CCFP while their non-profit number was still pending. New eligibility guidelines were established, expanding reimbursement for children of

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President Carter Meets with Consumer Leaders

At a White House meeting on February 14, President Carter told CFA Executive Director, Kathleen F. O'Reilly, and six other consumer leaders: "What I want to do is have a good relationship with all the consumer groups."

Carter then made a very good start in that direction by promising the group that it could count on his firm support and that of his staff for a Consumer Protection Agency. The agency would represent the interests of consumers before government agencies and the courts. Such legislation passed in both houses during the 94th Congress but never reached Conference because of President Ford's repeated promises to veto the bill.

According to O'Reilly, Carter's most notable remarks were those in support of the agency: "It is extremely gratifying that President Carter took the initiative to meet with us and to reaffirm his support for the agency in the presence of many of his top aides. There was not a hint of a retraction or weakening of his previous support."

White House staff members present were Hamilton Jordan, Stuart Eizenstat, Simon Lazarus and Jane Wales. In addition to O'Reilly, the consumer representatives included Ralph Nader; Joan Claybrook, Director of Public Citizen/Congress Watch; Rhoda Karparkin, Executive Di-

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worked for the U.S. Attorney's office in the District of Columbia, Ralph Nader's Public Interest Research Group and the Georgetown Prettyman Internship Program.

Before coming to CFA, O'Reilly was an associate attorney with the Washington, D.C., firm of Pledger and Mahoney, engaged in civil litigation, trade association representation and legislative drafting. A member of the Board of Directors of the Bar Association of the District of Columbia, she is also Chairperson of the Young Lawyers Section and is active in American Bar Association Young Lawyer activities.

Since joining CFA in March 1975, O'Reilly has testified and lobbied on a variety of issues including creation of an Agency for Consumer Protection, the Equal Credit Opportunity Act Amendments, Consumer Leasing, The Financial Reform Act, The Financial Institution Act, The Magnuson-Moss Warranty Act, Credit Card Discount/Surcharge, No-Fault Auto Insurance, The Real Estate Settlement Procedures Act, and Variable Rate Mortgages.



Kathleen O'Reilly

As CFA Executive Director, O'Reilly plans to direct her energies towards increasing CFA's membership and expanding CFA's already significant involvement in the areas of low and middle-income housing and food issues. Regarding the food area, O'Reilly stated, "I intend to continue CFA's high level of activity regarding food prices and productivity, with further emphasis on the quality of food, and related issues such as nutrition."

O'Reilly intends to continue to steer CFA in the direction set by her predecessor. According to O'Reilly, "CFA must be a persuasive advocate by continuing to be comprehensive in its analysis of public policy. It's that combination that has earned CFA a reputation for a high degree of credibility and effectiveness."

rector of Consumers Union; Stanley Van Ness, Public Advocate of New Jersey; Lola Redford, Director of Consumer Action Now; and Glenn Nishimura, Director of Arkansas Consumer Research and a CFA Vice President.

Nishimura emphasized to the President that consumers are more than willing to make sacrifices and changes in their lifestyles as a result of the energy crisis but *not* unless there are strong assurances that consumer sacrifices are not expected while the profits of gas and petroleum industries continue to mushroom.

Also discussed during the meeting were legislative priorities for the 95th Congress and agency appointments. Carter emphasized that although he could not guarantee the consumers' first choice on all appointments, special attention would be given to appointing candidates who were acceptable to consumer interests. He also told consumer representatives that continued access to the executive branch would take place through his Cabinet members. "I need your advice. I'll welcome it and I'll use it," the President assured the consumer representatives.

New Hope for Consumers at Assembly '77

effort to give consumers a role in what goes on. "I want consumers involved in the food policy decision-making process within the Department of Agriculture itself, and not simply as advisers," declared Bergland.

Bergland then used Consumer Assembly as a forum to announce his widely reported plan to create a new Assistant Secretary for Food, Nutrition and Consumer Services. To the amusement of all, he added that it was a job "to which he would like to appoint a Carol Foreman-type." Bergland also revealed plans to cut back consumer advisory committees that already exist within USDA because that approach often fragments "the voice of consumerism." "Definitely the consumers do not speak with one voice through these committees. So we will probably reduce the numbers of these committees in order to have the voice of consumerism speak more clearly and more concisely and be represented in the decisionmaking process itself."

Bergland spoke with distress of the 17 different federal feeding programs that currently are a "mess" of disorganization and duplication. He promised that "the administration will make the strongest commitment of any recent one to help the hungry." Asked if he would consider eliminating the purchase requirement for food stamps, so that even those with no money at all could obtain them, Bergland replied, "It's an option which interests me a lot."

President Carter's chief energy adviser, James R. Schlesinger, analyzed the energy crisis facing Americans and stressed the necessity of strict conservation in businesses and households. In his luncheon address Schlesinger warned consumer representatives that the world has only a 30 year supply of natural gas and oil left. According to Schlesinger, Americans are living on "borrowed time" after a century of wasteful use of fuel. He told the delegates that the government might have to adopt "mandated measures" to enforce fuel conservation, hinting that this might involve some kind of price regulation. Although regulation may be necessary, Schlesinger pledged that the Carter administration will protect consumers against fuel price adjustments that would significantly upset incomes.

John F. O'Leary, Federal Energy Administrator, also addressing the Assembly, cautioned consumers that the natural gas crisis may continue through October and become even worse in winters to come. O'Leary said that the crisis may last that long because of the need to refill depleted storage supplies of natural gas in preparation for next winter.

Schlesinger's prediction that the world will run out of oil and gas early in the 21st century was later refuted as an "extreme, shrill view" by George Lawrence, President of the American Gas Association. Lawrence was one of the panelists at a special Assembly Natural Gas Symposium, entitled "Fact, Fiction or Political Reality." Another panelist, James F. Flug, Director of Energy Action Committee, charged that producers are not content with a just and reasonable price and are holding back on supplies until gas prices go up. "They want more. They want all the traffic will bear," Flug said. His charges were strongly refuted by Lawrence who claimed that there is a real shortage and that deregulation is needed to give producers an incentive to explore for more supplies. According to Lawrence, there has been a drop in exploration and drilling from 56,000 oil and gas wells in 1956 to 26,000 in 1972. The panel, which also included attorney Morton Simons, was chaired by Lee C. White, Chairperson of CFA's Energy Policy Task Force.

Another keynoter at Consumer Assembly was Federal Trade Commission Chairperson Calvin Collier. Collier traced



FTC Chairperson Calvin Collier



NRECA Vice President Bob Partridge and FEA Administrator John F. O'Leary



Energy Panelists (l to r) Lee Richardson, Morton Simons, James Flug and Lee White (not shown, George Lawrence)



CPSC Commissioner David Pittle and NCL President Mary Gardiner Jones

Face to Face with the New Leadership



Panelists Ann Brown and Warren Braren



Assembly Chairperson, Sarah Newman



Lou Gerber and Edith Barksdale Sloan



Presidential Assistant Midge Costanza and Minx Auerbach



Ellen Haas



Fred Cowan, Helen Nelson and Esther Shapiro



Glenn Nishimura



Evie Dubrow



Dan McCurry

All Consumer Assembly photographs by Mary Claire Molony (NRECA)

the progress made by the FTC in recent years in becoming more responsive to consumer needs and concerns. He too spoke of an even greater voice for consumers in the days ahead.

These strongly worded commitments at

Consumer Assembly '77 were reinforced by Midge Costanza, President Carter's Assistant for Public Liaison, who told the audience, "the new trust and hope and confidence you have in this administration is not cosmetic—it is real."

Remember Food Day

April 21



April 21, 1977 marks the third annual Food Day, and if you are tired of wondering about skyrocketing prices, mystery additives, and the quality of food in general, circle that day on your calendar. This year, Food Day is for you.

Like its two predecessors, Food Day '77 will be sponsored by the Center for Science in the Public Interest as a national day of education and action on food issues. On previous Food Days, citizen groups have looked into a variety of food-related problems, including world hunger, government programs, and the role of agribusiness in food scarcity, distribution, and prices. Groups and individuals have organized events for their communities, churches, and schools on these and other topics, from educational activities like teach-ins, fasts, and vegetarian meals to such high-visibility projects as lobbying for people-oriented food programs, organizing anti-hunger groups, opening farmers' markets, and holding large food fairs.

This year, Food Day activists are encouraged to focus on an issue of growing importance to consumers throughout the country—the quality of the American diet. Although we are used to thinking of America as a cornucopia pouring ample food supplies onto our supermarket shelves, we aren't used to thinking about how these

foods may have been injected and infected with preservatives, dyes, artificial flavors and other test-tube surprises, often of dubious safety. Nor do we stop and think about how our eating patterns have changed—the fast food blight has led many of us to sacrifice our old vegetable-rich, nutritious diets before the altar of Big Mac. Small wonder that *Newsweek* columnist Harriet Van Horne has written, "We are digging our graves with our forks."

If all this seems like excessive concern over a minor matter, remember that nothing is more basic to our lives than food. The quality of the fuel that drives the human machine determines how well it will run, and how long it will last. Take time out on Food Day, April 21, to learn about America's nutritional health—and to do something about it.

The Center for Science in the Public Interest is a non-profit, tax-exempt organization. CSPI is supported by citizens' donations, foundation grants, and the sale of its publications. CSPI's national Food Day office assists local Food Day groups, but these groups are completely independent.

For further information and a free booklet of ideas for organizing Food Day programs in your community, contact Food Day, 1757 S Street, N.W., Washington, D.C. 20009.

Foreman Leaves CFA

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concern. She also helped to bring CFA into the political arena for the first time by encouraging the creation of its 1976 Political Action Fund. Through this fund CFA effectively endorsed Congressional candidates who were strong consumer advocates and actively opposed those who did not serve consumer interests. CFA's Congressional Voting Record, the basis for its endorsements, was circulated widely and its impact was strongly felt by both candidates and the public.

Aside from her management duties at CFA, Carol is recognized by colleagues and members of Congress as one of the most effective lobbyists on Capitol Hill. The *New York Times* identified her as representative of the "new sophistication of consumer lobbyists." "As Foreman makes her rounds on Capitol Hill, it's pleasantly obvious... that consumer groups are now widely viewed as being on the side of the angels."

Carol graduated from Washington University in St. Louis with a major in Political Science. During her varied career she has served as Executive Assistant to former Representative James Roosevelt, as Congressional liaison for the Department of Housing and Urban Development and as Director of Information and Congressional Liaison for Planned Parenthood.

As Assistant Secretary for Food and Consumer Services, Carol will administer USDA's nutrition and feeding programs, including food stamp, school lunch and breakfast programs, as well as the department's meat and poultry inspection pro-

grams and the grading of meat, poultry, fruits and vegetables. Together these programs account for \$9 billion or two-thirds of USDA's \$14 billion budget. Carol has said that she hopes to "eliminate fraud in USDA's feeding programs while making them more available to those truly in need." It is her firm intention to help carry out Secretary Bergland's promise that "the department should be as responsive to consumers as to farmers."

In addition to her immediate duties, she will also have the opportunity to influence decisions touching on all USDA responsibilities as one of six assistant secretaries who will sit on Bergland's Policy Council.

In a touching tribute at Consumer Assembly '77, Jacob Clayman, Secretary-Treasurer of the AFL-CIO Industrial Union Department and a CFA vice president, spoke of CFA's rapid progress under Carol's leadership. CFA President Lee Richardson presented Carol with a gift "which depicts Carol as we now think of her." It was a print of Grant Wood's "American Gothic" with Carol's face superimposed over that of the farm woman. That subtle combination of seriousness and humor also came pretty close to depicting Carol Foreman as we know and love her.

While those of us at CFA will continue to miss Carol very much, we do rejoice in her appointment and wish her every success in her new position. For our part, we intend to maintain that strong spirit of team effort and the satisfaction of seeing a job well done which she has taught us so well.

Energy Update

Natural Gas Withheld During Shortages

Amidst charges that producers of natural gas exacerbated the shortages which closed schools and factories throughout the winter by withholding available supplies of natural gas, newly appointed Secretary of the Interior, Cecil Andrus, took the initiative February 6 and ordered a preliminary investigation into these charges. The investigation focused on four off-shore fields in the Gulf of Mexico. The results of the investigation came in eleven days later: production in these fields had been substantially below potential output.

In a move applauded by CFA's Energy Policy Task Force, Secretary Andrus responded to the preliminary investigation by ordering a more comprehensive investigation. Furthermore, he indicated that he would accelerate production in the future.

The Interior Department leases all off-shore land. Written into these leases are two very important clauses. First, all production must be sold to the interstate market. Second, the Secretary of the Interior has the authority to ensure that leases are developed with "due diligence," i.e., at a rate consistent with public interest. Also, the Secretary of the Interior has the power to revoke leases which are not developed with due diligence. During the Nixon and Ford Administrations the rate at which leases were developed escaped scrutiny and production declined as a result.

The motivation for producers to delay development of these fields is clear: all gas produced must be sold to the interstate market, where the price is regulated by the Federal Power Commission. Producers, confident that deregulation is imminent, especially as a result of President Carter's apparent promise to deregulate, are waiting so that they may achieve even higher profits once the lid is off. Meanwhile, on-shore drilling continues and gas sold to the unregulated interstate market flows freely. Much of this gas is used for such wasteful and inefficient purposes as boiler fuel.

The magnitude of these supplies in the Gulf of Mexico is great, on the order of one-half trillion cubic feet. Our annual gas consumption is 22 trillion feet. Although industry spokesmen argue that the volume is not very significant compared to U.S. energy needs, the figure gains significance when compared to the amounts required to keep schools and factories open, families warm, workers employed and when compared to our total annual consumption.

The problem of determining the true extent of the reserves is frustrated by the government's dependency on data supplied by the industry. A complex reporting system allows reserves to be underestimated. Further, there is no requirement for the industry to report supplies which have not yet been contracted to the interstate market. Hence, not only does the government have a fuzzy idea of the amounts of gas contracted, it has no real idea of how much natural gas there is which has not been contracted.

The comprehensive Interior Department study will soon be initiated. The preliminary study was conducted by the consulting firm of John Wilson Associates and members included a six man team composed of two Federal Power Commission economists, a private consultant, a Congressional staff member, a government geologist and a representative of the Department of the Interior.

Secretary Andrus' commitment to enforcing the due diligence clauses of the leases will be important to consumers. Had

the Ford Administration been aggressive in this matter, pipelines would have been already in place this winter, delivering gas which was vitally needed. The enforcement of the leases is an important step in alleviating shortages caused by government mismanagement.

Consumers have a critical interest in the results of the new investigation, and in the actions of Secretary Andrus. The natural gas shortage of this winter is being used as an argument by the industry to convince the public that deregulation is essential. Industry argues that a price higher than the regulated one is necessary to cover the costly process of exploration and drilling. However, consumer advocates have long argued that incentives to discover natural gas are already more than adequate and that consumers need some protection from exploitation in the price that they have to pay for existing reservoirs of natural gas. The preliminary report for the Interior Department was a good beginning. Consumers are now looking forward to further documentation.

EPTF Asks for FEA Price Review

In spite of skyrocketing fuel prices during the coldest winter in a century, mechanisms designed by the Federal Energy Administration (FEA) to protect consumers from exorbitant price increases and shortages have failed to be activated. Accordingly, CFA's Energy Policy Task Force (EPTF) has taken steps to alleviate current hardships and to prevent the recurrence of such a fiasco next winter by calling on FEA to immediately reimpose controls on home heating oil for the balance of the winter. Further, on March 17 EPTF sent a petition to FEA Administrator John F. O'Leary calling for immediate "rulemaking proceedings on the question of middle distillate (home heating oil) price and allocation controls, and to include in such proceedings consideration of all related matters such as entitlements, 'tilts', and the mechanics of price monitoring." In addition, EPTF asked that costs of participation by public interest organizations be reimbursed.

The high prices and shortage of home heating oil endured by consumers this winter were precipitated by action taken by FEA last summer when it decontrolled the fuel. Proponents of decontrol, including the oil companies, argued that decontrol would increase supply and possibly even lower prices—a virtual panacea. Meanwhile, EPTF and other public interest organizations argued that decontrol would be devastating—prices and profits would soar and FEA would be unable to meet an emergency situation. Further, EPTF felt that FEA had ignored the Federal Power Commission's predictions of a natural gas shortage, and had erroneously assured the public that the winter supply would be adequate.

To placate the Congressional representatives of the New England states, whose support for decontrol was essential, FEA guaranteed that if the decontrolled price exceeded the price which would have prevailed under controls, controls would be reimposed. FEA established guidelines to monitor the price of middle distillates and compute an index number equivalent to the price that would be set by regulation. Should the monitored price exceed the index price, a "trigger" would be set off, reimposing controls. The representatives bought it, mistakenly thinking their residential users would thus be protected.

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CFA Legislative Wrap-Up

Oversight Hearings

Appearing at oversight hearings before the Subcommittee on Consumer Affairs of the House Banking Committee on February 8, 1977, CFA Executive Director Kathleen F. O'Reilly scored the Federal Reserve Board's (FRB) lax enforcement of consumer protection laws and outlined other financial concerns, priorities and expectations for consumer legislation under the jurisdiction of the committee.

As an early and ardent supporter of the Equal Credit Opportunity Act, CFA expressed dismay at the lackluster enforcement of that law by the FRB. Recognizing that the Federal Reserve Board has enforcement jurisdiction over only some 1000 banks, the commitment they give to enforcement is minimally needed as a critical symbol of their perception of how important the law is.

The track record of the FRB on enforcing the Equal Credit Opportunity Act is deplorable. Fifteen months after the Equal Credit Opportunity Act regulations became final:

—the FRB has not yet revised its bank examiner's manual to reflect the new law and regulations.

—attendance at regional seminars on the law is not compulsory for bank examiners.

—no special training or checklists have been prepared even though the FRB acknowledged that bank examiners have traditionally been trained and sensitized to maintaining the soundness of banks and do not have the background or strong interest in enforcing consumer protection laws. There should be systematic spotchecks of those examinations.

—the FRB has not yet even established an Office of Compliance.

—the FRB is vague about the background and consumer orientation (if any) of those staffers in charge of enforcement.

—the absence of complaints or suspected violations has not triggered any concern at the Federal Reserve Board that enforcement might have somehow gone awry.

—the procedure to be used in enforcement has not been formulated. It appears that heavy reliance is to be placed on gentle persuasion of violators and that there is a great resistance to cease and desist orders, etc. Indeed, rather than moving toward the resolution of these issues, the FRB is passing the buck onto a newly created Task Force.

"Lack of vigorous enforcement intensifies already deep public cynicism about government regulation and makes a mockery of the Congressional and consumer efforts which resulted in the passage of such laws," said O'Reilly.

CFA recommends that the oversight function be conducted with close scrutiny and that the financial regulatory agencies not be allowed to waffle on enforcement of consumer credit legislation. The generalized Annual Report submitted in February of 1977 by the FRB—a report which was vague and shallow, should not be tolerated. Gaps in the reports designed to conceal the unresponsiveness of the agencies should not go undetected.

In the area of consumer complaints, CFA commended Chairman Annunzio and his staff for the excellent staff report "Do Financial Regulatory Agencies Listen to Consumers?", dated September 1976.

CFA suggested an expansion of the general recommendations it contained, including the following:

—a complaint-handling mechanism within each agency should be structured at a sufficiently high level in the bureaucracy of the agency so that it will have enough clout to have some impact.

—Each agency should institutionalize some procedure for assuring that its complaint handling process deals not only with complaints against regulated parties but also with complaints against the very agency itself. There should further be a mechanism for insuring that the results of both categories of reporting agencies are channeled into the policy making procedures of the agency.

CFA indicated that it will once again push for legislation which provides comprehensive reform of the nation's financial institutions. CFA's minimum requirements for the legislation are:

(1) Expand the competitive powers of thrift institutions;

(2) Assure a greater availability of funding for housing, particularly low and moderate income housing;

(3) Provide a full voluntary central banking facility for credit unions and a broadening of their criteria for membership, primarily to benefit low-income consumers;

(4) Reorganize agencies that regulate financial institutions and separate the monetary policy function from the regulatory function of the Federal Reserve Board;

(5) Provide for an annual GAO audit of the Federal Reserve;

(6) Expand the membership of the Federal Reserve to include public members;

(7) Include requirements for Truth-in-Savings information for consumers.

CFA took the opportunity to oppose three potential areas for legislation. CFA expressed its opposition to any repeal or weakening modifications of Truth-In-Lending (T-I-L) as to essentially require only minimal disclosure or to undercut strong sanctions for serious violations T-I-L.

The consumer advantages of the legislation include the fact that among other things the legislation:

* Insures that investigative reports will not be prepared unless the consumer has authorized it in writing after having been informed of the nature, methods and scope of that investigation;

* Will require consumer reporting agencies to adopt reasonable procedures to assure the relevancy, completeness, and accuracy of the information collected;

* Entitles the consumer to a personal inspection of his or her file and to a copy of any item of information in the file;

* Assures consumers that they will learn the facts, identity of the agency and of his or her right to learn the contents of a credit report when adverse information on that report has resulted in adverse action being taken on the credit application;

* Prohibits the use of coded forms which effectively eliminate the opportunity of a consumer to read a credit report intelligently, and even more importantly to detect erroneous information;

* Provides that before medical information is collected, the consumer must be told of, and must specifically authorize its collection and dissemination to third parties, including any third party consumer complaints that are channeled into the policy-making procedures of the agency.

—There should be assurances that agencies have adequate staffs for compliance and that reliance is made on persons who by education and/or experience have a demonstrated commitment to consumer protection laws rather than relying on those predominantly oriented toward bank soundness.

CFA urged the Subcommittee to take a leadership role in cooperating with the Government Operations Committee to secure a legislative modification of the Freedom of Information Act. It is important that financial regulatory agencies not be allowed to rely on the Freedom of Information Act exemption which protects the results of bank examinations from disclosure. Logically it is only information which re-

lates to *bank soundness* which should be protected and not information which reveals *violation of consumer protection laws*. CFA reiterated its support for the creation of a National Consumer Cooperative Bank, and passage of a Debt Collection Practices bill which would protect consumers from harassment by collection agencies.

CFA strongly supported passage of legislation to amend the Fair Credit Reporting Act along the lines of the bill considered by the Senate Banking Committee in 1976. CFA took this opportunity to put opponents (including the insurance industry) on notice that it will assume a major role in establishing a strong coalition to support the measure.

Ag Land Fund

Hearings were held on February 18 and 24 by the House Agriculture Subcommittee on Family Farms, Rural Development and Special Studies, on a \$50 million agricultural investment proposal by Continental Illinois Bank (CIB) and the brokerage of Merrill Lynch, Pierce, Fenner and Smith (MLPFS). Under the terms of the plan, CIB and MLPFS would up wheat producing farmland to be sold to tax-exempt pension funds; then lease it to farmers, and later sell it for a substantial profit. The concern of the Subcommittee in conducting the hearings is the potential adverse impact on the family farm system if such nonfarm corporate investment in agriculture is allowed. The plan has met with forceful opposition from farm organizations, Congress, Secretary Bergland, country bankers, as well as Consumer Federation of America.

Dan McCurry, CFA Board member and a member of the Chicago Consumer Coalition, and CFA Executive Director Kathleen F. O'Reilly, filed a joint statement with the Subcommittee. They commented that the Continental Illinois Bank is taking advantage of the difficulties farmers are confronting in obtaining credit and pointed out the danger in allowing concentrated financial institutions to decide the shape and direction of American agriculture, a policy matter which more properly should be under the control of the government which is accountable to all the people. They reasoned as follows:

1. In the long run Ag-Land Fund will work to the disadvantage of the small family farmers and will hence work to the disadvantage of consumers. Imagine the situation when a Minnesota family farmer decides to sell all or some of its acreage. The adjacent farm owner had always hoped for the opportunity to pick up an extra 50 acres for his/her farm, but this family farmer is unable to compete with the ready cash on hand and the higher dollar per acre that the Ag-Land Fund can provide. The very interest of Ag-Land Fund in the acreage would logically drive up the price of land and thus the tax assessment base of surrounding farm land. Many small family farmers are already being choked by inflated tax assessment bases.

Similarly, the Ag-Land Fund has the ability to command lower prices for seed, fertilizer and expensive capital equipment, because it has cash on hand and need not go to the credit route of a family farmer. This represents yet another inroad into the small family farmer's very survival.

Historically, such takeovers ultimately result in more, not less, instability in the food economy; higher, not lower, food prices; fewer, not expanded, food selection; poorer, not enhanced, food quality. In short, when the small farmer takes it in the neck the consumer takes it in the back.

2. To those who rationalize Ag-Land Fund as manna in the desert for the family farmer struggling to make ends meet, we respond that there are better and much more prudent solutions. Small family farmers should be assured reasonable loan and target prices. Direct subsidies should be utilized when necessary. Grain reserves

should be fashioned in such a way as to help stabilize the market for farmers and consumers alike.

3. As a matter of sound public policy, banks have historically been prohibited from investing in real estate.

Farmland cannot be equated with other more common forms of investment such as stock shares because the way in which farmland is owned and operated has serious and far reaching implications for our nation's food supply. It is incumbent upon the government, which represents all of the people, to establish and enforce policies which ensure that the sensitive questions of food supply are decided by our elected officials who are accountable to all the people and who have a long range interest in the farmland, and not to allow such decisions to be made by those exclusively motivated by a short term roll-over of the profits. This public policy issue is intensified when one considers how vulnerable farmland is to climactic catastrophe, blight, adverse chemical reactions, etc.—volatile factors which detract from the suitability of farmland for bank investment.

Another issue (apropos of a bank engaging in this activity) should be explored, and that is the question of a bank's fiduciary obligations. As a fiduciary, a bank is in a position of trust and confidence with each of its customers and cannot use that position or information acquired in that position to advance the interest of one of its customers at the expense of another.

In practical terms it is difficult to perceive how the Ag-Land Fund can be administered without doing that fiduciary trust a serious injustice. How, for example, can the Ag-Land Fund make a land acquisition decision without competing with some of Continental's customers who wish to purchase the same land. How will it interject management advice on the purchase of capital equipment without favoring manufacturers whose directors or major shareholders are either on Continental's board of directors or are large customers of Continental.

We urge that a thorough study be conducted, which would reveal interlocking directorates and relationships of Continental's subsidiaries, particularly bank holding companies, to determine whether it is even possible for Ag-Land Fund to function without having Continental in a conflict of interest, breach of fiduciary duty position.

4. One of the most offensive aspects of Ag-Land Fund I is the fact that a tax exempt status is being sought for its operating income under §501(a) of the Internal Revenue Code. This would result in an anti-competitive impact on family farmers who do not enjoy the same privilege and who cannot sell one farm and buy another without paying a capital gains tax on the appreciated farm.

Beyond the anti-competitive impact is the very aberration from sound public policy which such tax exemption represents. Tax exemption should be sparingly allowed only to promote an overriding policy consideration. A tax exemption which increases oligopolistic trends in farming at the expense of the small family farmer is not in the public interest. It is also inconsistent with trends of encouraging, not discouraging, competition (e.g., attempts to establish a National Consumer Cooperative Bank, the Federal Aviation Administration Improvements Act, the Competition Improvement Act, etc.).

"Through seeking tax-exemption, that is, deferring taxes on the profits from Ag-Land, the Bank is really assuring that in this inflationary economy, when those taxes do reach the government they will be paid with dollars having a much lower purchasing power than if they were paid out of current income," explained McCurry. "Farmers must pay their income taxes annually and at full value but the Bank seeks the exemption to avoid turning this tax money over to the government. So these funds would not be available for

use by Congress to create the additional programs necessary to feed the millions of hungry and malnourished in this time of inflation and rising unemployment. These funds would not be available for improvements in the school lunch program, the food stamp program and other feeding programs. These funds would not be available for other farm and food programs of the government. They would, instead, be available to the Bank to buy up increasing acreages of good farm land in other Ag-Land Funds, to control the production from these lands, and to gain an even larger management fee.

The potential inequities of the proposed arrangement are exemplified by the terms of the lease to be used by Ag-Land Fund. Numerous provisions in the lease approach unconscionableness. These include:

- Ag-Land Funds' right to arbitrarily refuse to permit the lessee to make various improvements to or uses of the land;
- Ag-Land Funds' right of reentry upon expiration or termination of the lease without any notice;
- The lessee's obligation to pay all Ag-Land Funds' costs and attorney fees, not just those which are reasonable;
- Default provisions for the lessee's failure to meet vaguely stated standards of performance;
- The right to assign the lease without the consent of the other party given to Ag-Land Fund but not to the lessee.

The Ag-Land lease itself declares that the Bank has the right to "assign or sell or grant easements in or subdivide the underlying land without the Lessee's consent." The Bank's good intentions to farm this land will not stand in its way if higher profits are to be made in paving over the farm or in stripping it for the coal underneath.

"This Bank and others like it are attempting to red-line rural America in just the same fashion that they have red-lined and drained the capital out of our urban areas," testified McCurry. "Tomorrow this committee will hear testimony illustrating Continental Illinois' history of taking the cream from the top of their investments in our urban core and then abandoning these areas to their own fate. How does Continental Illinois propose to red-line rural America?"

The Bank's Declaration of Trust says:

"Initially, not more than 15% of the Estate shall be invested in any one Farm . . . Initially, not more than 30% of the Trust Estate shall be invested in Farms in any one State of the United States."

That loophole, "initially," allows the bank to concentrate its farm land holdings, to create Ag-Land Fund plantations in just a few states after holding the initially purchased farms for the short time necessary to gain the capital gains tax write-off. There is nothing in this Declaration of Trust to prevent them from increasing their acreage in any one state far beyond the 30% specified. With that loophole, Ag-Land Fund's II, III, and IV could purchase adjoining properties to those most profitable acres of farm land, and then convert those holdings into urban developments, strip mines, or large scale factory farms of thousands of acres.

That loophole allows the Bank to speculate with farm land, to enter and leave the farm land market. It allows the Bank to create the same fluctuations in farm land which occur each day in the commodities market. For financial institutions, profit comes from the rapid rise or fall of prices, from market instability, not from the stabilizing conditions which are sought by farmers and consumers alike.

Comprehensive Farm Legislation

Comprehensive Farm Legislation—On February 22 the House Agriculture Committee began hearings on the extension of the Agriculture and Consumer Protection Act of 1973. The hearings will contin-

ue until March 17 when Secretary Bergland will testify on the Administration's position on the bill.

CFA testified on March 3 as part of a consumer coalition, organized and led by Ellen Haas of the Community Nutrition Institute, who is a Vice-President of CFA. The coalition was the first Consumer Coalition ever to have joined together to present a unified position on food and agricultural legislation. Other coalition members included Public Citizen, Community Nutrition Institute, Center for Science in the Public Interest, National Consumers Congress and the Consumer Affairs Committee of Americans for Democratic Action.

The coalition's position focused on the need for a national food policy which will promote the welfare of both consumers and family farmers, assure adequate nutrition, improve food productivity, maintain a stable food system, and alleviate famine and malnutrition abroad while contributing to the nation's economic position.

Ellen Haas, in her statement on behalf of the Consumer Coalition, outlined seven issues which must be adequately addressed in any future food and agricultural legislation. (Individual coalition members then expanded on each area.)

1. *Grain Reserves*—A well-designed system is essential in an omnibus farm bill. A grain reserve would be available to serve as an emergency supply for famine relief, domestically as well as internationally, enable our nation to better respond to those in need in other nations, and serve as a model encouraging other nations to participate in an international reserve system. A grain reserve system would ensure the U.S.'s ability to fulfill export commitments, reduce the need for export embargoes, and protect developing countries from the price depressing effect of the dumping of U.S. surplus food.

The most significant function of a grain reserve system from the consumers perspective is that of stabilizing food prices. The system would operate through a loan system whereby grain would be taken out of the market and put under loan when prices are low, thus raising prices to a reasonable level. Similarly, grain would be taken out of loan into the market to moderate prices when they are too high. The reserves would be held on the farms and principally owned by farmers. Their management to stabilize prices would protect both farmers and consumers from boom and bust prices which help neither.

2. *Target Prices and Loan Rates*—As emphasized by Kathleen F. O'Reilly, Executive Director of CFA, "It is in the consumer interest that target prices and loan rates be set at levels which will assure adequate production. That assurance will not be forthcoming unless there is an adequate incentive for farmers to produce. In turn, incentive exists only if farmers are assured that they will receive a reasonable return for direct cost of production, including labor and capital investment. CFA supported the Emergency Farm Legislation of 1975 which increased target prices, because we believed it would encourage full production. We will continue to support a decent income and price stability for farmers and urge Congress to set reasonable target and loan prices."

"Never before has the symbiotic relationship between consumers and family farmers been more apparent. Our joint goal of stability is heightened by common enemies of inflation, vulnerability to erratic climatic conditions, and the everwidening spread between what farmers receive for their crops and what consumers pay for food. CFA has an unbending tradition of formulating its agriculture policies on the basis of a conviction that what is good for the family farmer is good for consumers. Farmers are entitled to a fair return for their labor and capital investment. It is apparent that when that right is not respected, the consumer's right to quality food at reasonable prices is threatened as family farmers are driven out of business. Consumers then become the victim of agri-

business take-over and agribusiness policy which is often not in the best interest of consumers." (O'Reilly was accompanied by Irene Kessel, Director of Legal and Legislative Research.)

3. *Farmer-to-Consumer-Direct Marketing Act*—The Act must be funded at a level of at least \$1.5 million. This legislation which passed in the 94th Congress aids farmer-to-consumer direct marketing programs which bring locally grown food items to consumers at reduced costs while delivering to the farmer a larger percentage of the food dollar by eliminating middleman costs. Unless the program is adequately funded, these goals obviously can never be realized.

4. *Food Stamps*—The purchase requirement for food stamps must be eliminated. According to the Senate Nutrition Committee, various studies conducted throughout the country indicate that the current purchase requirement is the single most critical factor in discouraging eligible persons from participating in the Food Stamp Program.

Clearly, Congress set up the Food Stamp Program to provide an adequate nutritional diet for those who cannot otherwise afford it. Unreasonable stumbling blocks, such as the purchase requirement, make a mockery of that goal. The purchase requirement is such a stumbling block, preventing those most in need—persons with very limited resources of cash—from participating in the program.

Besides bringing the neediest into the program, elimination of the purchase requirement would contribute immeasurably to streamlining the administration of the Food Stamp Program.

5. *PL 480 Food Aid*—This aid should be utilized as originally intended, namely, to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in the developing countries.

6. *Nutrition and Food Related Research*—Funding should be increased for nutrition and food related research. Redirection and reorganization of the research program is needed to assure that it will operate in areas of consumer concern such as reliability of nutrition standards, food safety, assistance to small farmers and cooperative marketing activities in local communities. Congress should re-evaluate the decision-making process, including its participants, and make revisions to assure that the program operates to best serve the public interest. Policies of the nutritional and food related program should be set with adequate consideration of input from an independent body with consumer representation.

7. *Long-Term Extension*—A long-term extension (4-5 years) of the legislation should be supported, so that farmers will be able more easily to plan future production.

Clinical Laboratory Improvement

The Clinical Laboratory Improvement Act of 1977, a measure to require 14,000 independent and hospital-based laboratories and 50,000 - 80,000 private physician office laboratories to meet minimum national standards (both as to facilities and personnel), was introduced February 10 by Senator Jacob Javits (R-NY) and 19 co-sponsors. The bill is substantially similar to legislation approved overwhelmingly by the Senate last April (69-11).

Passage of this legislation would represent a major advance toward reducing the scandalous error rates and inefficiencies which have become all too common in hospital, independent, and private physician laboratories.

Every year American consumers spend in excess of \$12 billion on more than 4 billion clinical laboratory tests. That represents more than 10% of our country's annual expenditure on health care. In 1975, this represented some 20 tests being conducted for every individual in the nation. The error rate for such tests is shocking

(estimated to be as high as 20 - 50%). Even more serious than the unnecessary testing that is conducted, and the test repeats necessitated by improper testing, are the tragic results which inaccurate testing can produce: incorrect bilirubin readings for an RH negative infant causing that baby to be retarded, unnecessary hysterectomies, hysterectomies not performed which should have been, misread blood sugar tests, etc.

At present only a very few states have developed their own comprehensive regulations and licensure laws which cover all types of laboratories, both as to personnel and facilities).

Two days of hearings on the Senate bill are scheduled for March 29-30 before the Health and Scientific Research Subcommittee of the Senate Human Resources Committee. The subcommittee is headed by Senator Edward Kennedy (D-Mass), one of the bill's co-sponsors. A companion measure is expected to be introduced shortly in the House by Rep. Paul Rogers (D-Fla). That bill will be referred to the Health and Environment Subcommittee of the House Commerce Committee. Last year's House bill died in the October rush to adjourn the 94th Congress.

As a condition for exemption, the Senate bill requires a private physician laboratory: (1) to furnish certain specific information, including the estimated number of tests performed by type, the qualifications of non-physician personnel and the tests they engage in, and the method of quality control in the laboratory or (2) to participate in a federally approved proficiency testing program.

The proficiency testing alternative for private physician laboratories (with results reported to the Department of Health, Education and Welfare) is one of several modifications in the Senate legislation. Laboratory proficiency testing is a methodology which has been developed and extensively used by clinical laboratories over the past thirty years.

In laboratory proficiency testing programs, samples resembling patient specimens are tested and the results are communicated to the proficiency testing organization. These results are then compared with the true assayed values of the test samples, the level of accuracy is observed, and results are reported back with recommendations for improved testing.

Proficiency testing is the principal way in which the laboratory director is able to check on and monitor the objective accuracy and reliability of testing. There is no substitute for the objective measure of laboratory performance which periodic laboratory proficiency testing provides.

Other revisions of the new Senate bill are:

—Licensed laboratories would be required to perform satisfactorily on periodic (at least annual) proficiency testing including "blind testing" (a system for testing a laboratory's proficiency in the examination of specimens under which the laboratory is not informed that its proficiency is being tested);

—Personnel requirements would extend to assuring continued competence of laboratory workers;

—Penalties for fraud and abuse would be upped to \$25,000 fine, or five years in prison, or both;

—Licenses would cost up to \$500 and would be in effect for up to two years

—Laboratories in which testing is for biomedical or behavioral research primarily would be exempted.

In most other respects, the Senate bill resembles its predecessor. It would set national standards covering quality control, personnel qualifications, and other requirements. Kickbacks would be prohibited. HEW would be allowed to delegate "primary enforcement responsibility" to states. HEW or states could contract with private nonprofit organizations to help monitor laboratory performance. Waiver of certain personnel requirements—mainly affecting rural hospitals—would be permitted.

In 1971, the American Association of University Women initiated an economic fact-finding study entitled "Your Dollar's Worth." From this study evolved a two-hundred-member community volunteer program known as Idaho Consumer Affairs, Inc. (ICA).

Like many voluntary organizations, ICA was first headquartered in the family room of a staff member, Helen-Kay Kreizenbeck, now executive director. Later, with CETA (Comprehensive Education and Training Act) funding and the support of Allen R. Derr, ICA president, the organization was able to move its offices to the center of the city.

ICA is affiliated with Consumer Federation of America, Public Citizen, and Common Cause.

One of ICA's first activities involved sponsorship of a "brown bag luncheon forum" as a way of opening communications between ICA members and community business representatives. The forums received attention by the media and helped to introduce the newly formed ICA to the community.

The community has responded enthusiastically to ICA's establishment of a Helpline as a complaint-handling service. Although a minimal \$5 membership fee is requested, no person with a consumer problem is refused ICA services. Most ICA complaints are handled through low-key, non-binding arbitration with well-respected local volunteers sitting as panels of judges. In 1976, ICA settled seventeen cases recovering more than a million dollars for Idaho consumers. Alvin R. Halverson, a retired engineer from Washington State University, heads the complaint-handling division.

One important case ICA successfully settled was a dispute over water rates between the home owners of a large development and the developer. The case was settled quickly and a substantial amount of money was recovered by the home owners.

ICA's motto, "We go all the way in securing settlement," is one indication that the organization follows every case through to completion. Cases have covered the whole range of consumer areas, including car repairs and sales, mail orders, land development and real estate, mobile home and condominium disputes, divorce lawyer

FOLKS

This Month — Idaho Consumer Affairs, Inc.



Executive Director, Helen-Kay Kreizenbeck at work.

and physician fees, landlord/tenant disputes, credit financing, and hearing aids. ICA also helps consumers make better use of the small claims courts in the state, and assists them in pursuing a case until judgment is forthcoming from the offender.

In addition to helping individual consumers with their problems, ICA intervenes before the state utility regulatory commissions to secure a better break for all Idaho consumers. Presentations and research by ICA volunteers Paul Kiepe and Harold C. Miles have successfully helped to prevent energy rate increases. Unfortunately, with absolutely no mechanisms for funding groups or individuals to represent the public viewpoint in such hearings, their participation has entailed considerable donations from budgets.

Another distinguished volunteer, legislator Bill Onweiler, recently provided intervenor assistance to the Boise community in water rate hearings. His participation helped to secure the return to Boise of property valuing a million dollars which had been transferred to the parent company in Pennsylvania and Arkansas.

In other utility areas, ICA joined with Governor Cecil D. Andrus (now President Carter's Secretary of the Interior) and numerous other organizations in opposing the proposed siting of an Idaho Power Company coal-fired energy plant within 20 miles of Boise. The proposition was turned down by a large margin when brought before the voters, and the Idaho Public Utilities Commission (IPUC) denied the proposal. However, consumer utility problems continue unabated as the IPUC has now proposed that the venture costs assumed by the Idaho Power Company in trying to position the plant near Boise be passed on to customers. ICA argues that the costs should be the burden of the stockholders. This issue has not yet been resolved.

The Consumer Product Safety Commission used the services of Idaho Consumer Affairs in November 1976 to conduct two educational-safety surveys. One survey involved the testing, by ICA volunteers, of Christmas tree lights in stores before they were sold. The lights were tested for their durability and safety before being put on the shelves.

The other survey focused on the place-

ment of caustic products, such as lye, alongside food products on supermarket shelves. Caustic products are sometimes mistaken for food, and eaten. ICA participated in a campaign to remove these caustic products from supermarket food shelves to a separate area of the store. Also, ICA checked each product for child-proof safety lids.

In compiling these surveys, ICA received volunteer assistance from senior citizen groups, the American Association of University Women, and the Community Action Center as well as its own members.

The ICA newsletter, "in a nutshell," is printed irregularly (whenever financing is available!). It summarizes members' activities on behalf of ICA, gives advice on pressing consumer problems, such as utility cutoffs, and updates state and federal legislation of particular interest to consumers. ICA is interested in exchanging newsletters with consumer organizations in other states.

A Board of Directors of nine individuals, most of them retired or semi-retired, brings to ICA a great diversity of backgrounds, including engineering, labor craft unions, reclamation, small business, research, banking, medicine, science and social work. ICA members sit as 'consumer voices' on a number of advisory boards, including Idaho's only Health Maintenance Organization, and the boards dealing with planning and zoning, nursing home standards, aging, defensive driver training, the Bonneville Power Authority, water resources, the trial lawyers, and metric planning.

As with most consumer groups, lack of adequate funding for ICA presents the most serious roadblock to improved exposition of the consumer viewpoint and more effective settlement of consumer problems. ICA members and staff have appealed to city and county officials for funds to assist with enlarging the office, providing legal assistance, and providing help for the ever increasing number of calls coming into the ICA office. Although funds have not yet been forthcoming, ICA will continue to be a leading voice for Idaho consumers.

For more information, contact Mrs. Helen-Kay Kreizenbeck, Idaho Consumer Affairs, Inc., 817 West Franklin Street, Boise, Idaho 83702.

Citizen Action Needed

The Federal Trade Commission is seeking public comment on a proposal submitted by the Institute for Public Interest Representation of Washington, D.C., which seeks mandatory corrective advertising as a remedy in false and deceptive claims pertaining to health, safety or nutrition. The Consumer Federation of America strongly endorses the Institute's proposal and calls upon its members to write to the FTC urging it to adopt the proposed corrective advertising regulations.

If adopted, the rule would require the FTC to order companies guilty of lengthy advertising campaigns containing false or misleading claims in areas affecting health, safety, or nutrition, to wage new advertising campaigns informing the public that their earlier claims were false or misleading, thereby correcting the false impressions created about the products in the original ads. Adoption of the corrective advertising rule would be a tremendous gain for consumers. In most false advertising cases now, the FTC simply orders that the defective ads be discontinued. Nothing is done to correct the false impressions that are created in the public's mind—impressions which can influence purchasing decisions for years after the offensive advertising campaigns end.

The FTC has the power to order corrective advertising, but it has done so in only one fully litigated case, against the manufacturers of Listerine mouthwash, who had for years falsely claimed that their product prevented colds and sore throats. This case is pending on appeal to the courts. The problem with the FTC's current procedures is that the FTC will order corrective advertising only when extensive proof is offered at a trial-type hearing that the false advertising has lingering effects on the public even after the defective ads are discontinued. Presenting such proof in each case is difficult, requiring time-consuming and expensive marketing surveys, testimony by psychologists and other expert witnesses, etc.

By contrast, the FTC would, under the proposed rule, automatically assume that the false or misleading ads have a continuing effect on the public if the ads have been in use for a long time. This procedure would be used only where the false claims concern safety, health, or nutrition and are thus potentially dangerous to the public.

Needless to say, big advertisers and Madison Avenue will fight hard to prevent the adoption of the new rule. Unless mass public support is quickly thrown behind the proposal, there is a danger it will be rejected by the FTC, and a major new tool for protecting consumers will be lost. Letters should be sent to the FTC by May 6 urging it to adopt the corrective advertising petition. The address is: Assistant Director for National Advertising, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C. 20580.

Energy Update from page 4

A recent survey of State Energy Offices in key Northeast and Northcentral states conducted by EPTF revealed that since price controls were lifted in July the residential price of home heating oil has increased by more than 10%. During the summer of 1976 consumers paid 40-42 cents per gallon. By the end of February 1977, the price had increased so that it was typical to pay 47-49 cents per gallon, and not unusual to pay more than 50 cents, while the February trigger price ranged from 41.0 cents in the Northcentral region to 44.9 cents in the Northeast. The burden is even greater than the survey prices indicate, since in most states consumers have to pay a tax in addition. Low income consumers have been particularly hard hit because of these high prices.

Despite assurances of protection to consumers, since decontrol FEA has succeeded through several devices in keeping the monitored price below the trigger. First, the index price is computed on a regional basis, hence high prices in one state are averaged in with other states' prices. Although pricing conditions differ in New England and the rest of the Northeast, all those states are grouped together. This left New England vulnerable to high prices, since its residents consistently paid prices higher than the regional average.

Second, since the monitored price is an average of the price to homes and the price to large industrial and commercial users who receive discounts anywhere from 5-10 cents per gallon, the average price remains below the trigger, even though residential

prices are substantially above it. Even FEA confesses and their surveys reveal that the price to homes exceeds the trigger. The notice of a trigger as presented in the compromise was to protect residential users. Averaging discounted customers into the formula clearly deviates from this intention and has allowed the price to grow without controls being reimposed.

Third, the FEA uses a questionable data base. EPTF's survey revealed prices consistently higher than FEA's for the same area.

In addition to biasing the index to overstate the price that would have prevailed under regulation, and underestimating the price that consumers are paying, in March FEA issued Special Order Number 8 which offered entitlements (subsidies) to New England fuel dealers for the purchase of foreign oil. This action simultaneously increases our dependence on costly and capricious foreign supply and raises the price to consumers.

For the entire winter, the monitored price has remained about one cent below the trigger in spite of a biased formula, questionable data, and entitlements. Controls must be reimposed and mechanisms developed to deal more fairly and effectively with energy problems if the hardships of this winter are not to be repeated.

Mark your Calendar

June 7 CFA Annual Awards Dinner (details will follow in the April issue of CFA News).

Speak Out from page 2
 the near or working poor. Moreover, three meals a day plus two snacks were fully reimbursable. The eighteen-year-old maximum age cut-off (although under SFSPC, twenty-one was the limit) enabled school children to participate through after-school centers. All child care facilities were eligible provided they were tax-exempt (or pending), non-school, licensed and non-residential. Program administration remained in USDA and state education agencies. The most important and biggest victory was the new eligibility status of family day care homes (FDCH's).

However, acquiring a tax-exempt number would have been very difficult for small informal homes; therefore, in order to comply with the law, a tax-exempt sponsor would be necessary for FDCH participation. That regulation had a far-reaching effect on CCFP growth. The sponsor's tax exemption covered the FDCH. But the FDCH's still had to be licensed or approved or meet federal day care standards; this latter requirement applied to all CCFP participants. Sponsors were the key; without them FDCH's, where most of the nation's youngsters are cared for, were ineligible. Here was the newest, largest roadblock to feeding children.

A Long Way to Go

According to USDA's own reports, youngsters fed in April 1975 numbered 429,944. One year later the figure was 463,146. Obviously, millions of hungry children were not benefiting from the CCFP. Close inspection revealed some of the difficulties. Publicity was almost nonexistent. People knew very little or nothing about the program. Local licensing standards were stringent and difficult to comply with, especially for small centers and FDCH's. Some states required incorporation before a group could apply for tax exemption; that local stipulation discouraged many potential applicants. Small day care programs had very limited access to technical assistance or an attorney. And true to unwritten bureaucratic law, CCFP paper work was time-consuming, frustrating, and usually confusing to single center providers operating on shoe-string budgets with no technical assistance. It would be highly beneficial for those small centers to have a sponsor, thus relieving them of the paper work. CCFP is still struggling to reach millions of children.

Your Group Can Be a Sponsor

Any public or non-profit organization, club or group can sponsor a family day care home or several homes and day care centers. However, each day care center must have its own tax exemption or be in the process of obtaining one. The sponsor would receive all the CCFP funds plus handle the food service's bookkeeping chores. Sponsors do not have to be licensed but must keep copies of licenses and standards of each FDCH or center it sponsors.

Administrative money is available and is included in the reimbursement rate.

Potential sponsors include churches, Young Men's and Women's Christian Association, the Salvation Army, Camp Fire Girls, Junior Leagues, labor unions, United Fund, Planned Parenthood, Community Action agencies, and the list goes on and on. Day care centers, as well as Headstart centers can be sponsors, either for each other or FDCH's.

Help Get Food to the Little Ones

Today's skyrocketing prices force more women than ever before into the labor market. In addition, many women are, increasingly, the sole financial support of their children. Day care centers are few and usually expensive; therefore, they are out of reach to the average working single female household head, who in 1975 numbered 7.2 million, with 1 out of 3 women living below the poverty level. Clearly the vast majority of below-poverty children are placed in FDCH's while their mothers (three million of them) work. Food for these children is obviously not abundant. The CCFP would be greatly appreciated.

Your organization can go into action immediately. Familiarize yourself with the CCFP, contact USDA if your state is one that prohibits administration of the program, or meet with the State Education Department, or you may contact Food Research and Action Center (FRAC) to get further information. FRAC provides technical assistance and training to interested advocates and has published a Guide to the Child Care Food Program (see below). Urge your church, social or community group to disseminate CCFP information. Form CCFP committees for the purpose of increasing awareness and participation in your community. Prevail upon your organization to: (a) identify all small day care centers and FDCH's in the area; (b) assist them in obtaining a license (if unlicensed); (c) urge the state licensing department to initiate or rewrite FDCH licensing or approval standards—in fact, help the licensing department do the job, as they are woefully understaffed; (d) monitor the CCFP—meet regularly with state or federal CCFP administrators, talk to CCFP participants regarding everyday problems.

The bottom line to this is actual sponsorship of a FDCH or day care center. It won't be easy. Problems are numerous but not insurmountable. Pre-school age youngsters will have nutritiously adequate meals, thanks to your efforts. Food will reach them before it's too late.

The CCFP will be eliminated without the encouragement and help of sympathetic organizations. If we lose the CCFP, the little ones will suffer, but in the end so will all of us.

FRAC is a private, non-profit public interest law firm and advocacy center working with the poor and near-poor to end hunger and malnutrition in the United

States. It offers legal assistance, organizing aid, training and information to poor people and their groups working to improve and expand the federal food program (food stamps, school lunch/breakfast, day care and summer feeding, WIC and Nutrition Programs for the Elderly).

The following guides may be obtained from FRAC, 2011 Eye Street, N.W., Washington, D.C. 20006. They are free to students, unemployed persons, welfare recipients, senior citizens, or those community organizations unable to pay.

FRAC's Guide to the Child Care Food Program	\$.75
FRAC's Guide to Organizing a Summer Food Program	1.25
FRAC's Guide to the Food Stamp Program	1.00
FRAC's Guide to the School Lunch and Breakfast Programs	.75

**States not operating the SFSPC are: Arkansas, Georgia, Hawaii, Missouri, Montana, Nebraska, New York, North Dakota, Ohio, Oregon, South Carolina, Tennessee, Texas, Virginia and Washington.*

Consumer Assembly '77 Workshops

A total of nine workshops covering a wide range of topics were conducted during afternoon sessions at Consumer Assembly '77. The subjects included 5 Issues Workshops: Shortening the Food Chain: Greater Farmer-to-Consumer Markets; Consumers and Utilities: Intervention and Reform; Consumers Look at Electronic Funds Transfer System; Utility Advocates: A Legal Update; Complaint Handling; Whose Responsibility; and 4 "Skills for Activists" Workshops including: Putting Out a Newsletter; Reaching the Media; Organizing for Power; and Fundraising.

These workshops provided essential information and many new ideas for consumer activities. Detailed accounts of the workshop are currently being prepared for the *Action Faction*, the monthly newsletter of CFA's Paul Douglas Consumer Research Center, and will be included in the April issue of *CFA News*.

Copies of the Consumer Assembly speeches of Chairman Collier and Secretary Kreps are available from CFA for \$1.00 each. Other keynote speakers did not have prepared texts.



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