

# Consumer Federation of America

# NEWS

WASHINGTON, DC

APRIL-MAY, 1977

## Support for Consumer Protection Agency Needed

"I'm in favor of the establishment of the consumer protection agency." "(This measure) will enhance the consumer's influence within the government without creating another unwieldy bureaucracy. I believe (it) will increase confidence in government by demonstrating that government is considering the people's needs in a sensitive and responsive way."

— President Jimmy Carter

After eight years of Administration opposition, at long last the Agency for Consumer Protection (ACP) has a friend in the White House. In his April 6, 1977 Consumer Message, President Carter enthusiastically endorsed the creation of the Agency and pledged his active support. On the same day ACP legislation was introduced in the Senate (S.1262) by Senators Ribicoff (D-CT), Percy (R-IL) and Javits (R-NY) and in the House (HR.6118) by Representa-



Presidential Advisor Esther Peterson

tives Brooks (D-TX), Rosenthal (D-NY) and Horton (R-NY). Sponsors of the bills plan to bring the legislation to the floor for a vote as rapidly as possible. Hearings were held in mid-April in both the House and the Senate, and the

Committees plan to complete their work on the bills by May 15.

To personally shepherd the bills through Congress, Carter has appointed consumer advocate Esther Peterson as his Special Assistant for Consumer Affairs. A founding member and consistent supporter of CFA, Peterson was appointed by President Johnson as the first Special Assistant for Consumer Affairs. She most recently served as consumer advisor to Giant Food where she helped that chain institute unit pricing, open dating, a toy safety program, and nutritional labeling.

In his Consumer Message Carter stated, "As the technology of our society has become more complex, Congress and the President have delegated more responsibility to regulatory technicians, whose activities affect consumers profoundly but are difficult for average citizens to study, influence and under-

stand." Consumers and taxpayers have long been frustrated by the insensitivity of regulatory agencies. Day after day Federal agencies make decisions which affect consumers' health, safety and pocketbooks. Yet the voice of consumers is often absent during agency deliberations. Thousands of pages of Congressional testimony and scores of newspaper headlines document the specific abuses that have resulted from the lack of a vigorous consumer advocate. For example:

*Home Heating Oil*—A prime reason why homes were colder and budgets tighter during the winter of 1976-1977, was because the Federal Energy Administration (FEA) removed price and allocation controls from home heating oil. The FEA took this action despite strong evidence that the consequences would be great, and that their underlying as-

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## Foreman Sworn-In at USDA

Following her March 25 swearing-in as Assistant Secretary of Agriculture for Food and Consumer Services, Carol Tucker Foreman was asked, "How does it feel to be part of the establishment?" "I don't know, I haven't been here long enough," was her reply.

For Carol Foreman, being part of the establishment will mean administration of USDA's nutrition and feeding programs, including food stamps, school lunch and breakfast programs, as well as the Department's meat and poultry inspection, and the grading of meat, poultry, fruits and vegetables.

In his remarks at the White House Rose Garden ceremony, President Carter added a new responsibility to those already under Foreman's jurisdiction. Dismayed by his family's high personal food bill for the first 10 days in the White House, the President asked Foreman to help him keep his food bill down.

On a more serious note, Carter called Foreman's position "an innovative role for the Agriculture Department" that would give consumers a "strong, forceful, competent spokesman in Agriculture." He said that Foreman has "complete freedom and instruction from me to be an advocate for consumers and a

Jay Foreman holds bible as President Carter and Agriculture Secretary Bergland witness Carol Foreman's swearing-in.



representative of farm families as well."

Following the swearing in, CFA staff members were among those who enjoyed a reception at USDA for the new Assistant Secretary. Ironically, the room chosen for the reception had last year been the scene of a CFA confrontation with USDA officials when Foreman led a group of consumer advocates into an advisory panel meeting demanding consumer representation on the panel. To dramatize their lack of voice in the de-

liberations, the group wore scarves over their mouths.

Foreman, who resigned in February as CFA executive director, was approved 14-2 by the Senate Agriculture Committee after two strenuous days of confirmation hearings. The votes opposing the nomination were those of Sen. Jesse Helms (R-NC) and Sen. John Melcher (D-MN). Only Senator Carl Curtis voted against the nomination when it went before the full Senate.

## Awards Dinner Set for June 7

Senator Edward M. Kennedy, Representative Frank Annunzio, Robert Partridge and Morton Mintz will be honored for their outstanding contributions to the American consumer at Consumer Federation of America's Seventh Annual Awards Dinner on Tuesday, June 7, at the L'Enfant Plaza Hotel in Washington, D.C. In addition, CFA will present special tributes to Carol Tucker Foreman and Gladys Kessler.

Senator Kennedy will be presented the Philip Hart Public Service Award for his work in the United States Senate in defense of the American consumer, particularly in the fields of public participation, antitrust, and health.

Senator Kennedy is at the forefront of the effort for passage of legislation to fund citizen participation in government proceedings. He championed passage of the much-needed Freedom of Information Act which is considered

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## Speak Out!

# Making Bankruptcy Law Work for Consumers

By Richard A. Gross  
Deputy Chief,  
Consumer Protection Division  
Department of the Attorney General  
Commonwealth of Massachusetts

On October 2, 1975, in one of the most spectacular commercial failures in modern memory, W.T. Grant, Inc. declared bankruptcy. Of all the people harmed by the failure of the store, the least noticed was the most innocent: consumer creditors. Those people who still held "grant's cash" after the bankruptcy, those people who had made deposits on furniture, appliances, or other household goods, those people who had clothing put on lay-a-way and had already started their payments, and those who had warranty claims against the company joined the list of creditors near the bottom. The chances that this group will ever receive one penny out of the bankruptcy are slim, at best.

Something is wrong with our bankruptcy system when such injustice results. The people described above are not unique or unusual. Nor did they take any special risks in doing business with W.T. Grant in the weeks and months preceding the bankruptcy. They felt they could rely on the store's reputation and safely make a deposit or lay-a-way without worrying about whether the storekeeper would run away with their money. But they were wrong! Not only were their deposits not safe, but the bankruptcy court is going to run away with their money!

The problem of consumer creditors in bankruptcy is two-fold: first, consumers who make deposits or advance payments in the course of their shopping do not do so with any expectation that they are taking any risk. Nor do they perceive that, in the event the store is unable, due to insolvency, to deliver as originally promised, that they will most often lose their deposits and thus become *creditors* of the failed business. Consumers do not consider themselves creditors, most often, and for good reason. In the normal consumer transaction, the consumer is the debtor, receiving a service or a good and paying for it with cash or on credit. The store is the creditor, the consumer is the one who owes money for the merchandise, and is thus the debtor. But, all too often, consumers prepay for merchandise, particularly furniture, automobiles, travel, and major appliances. And, increasingly during our economic crisis of the past five years, businesses holding consumer deposits have been failing before making good on the contracts which those deposits secure. As the consumer is not knowingly taking any risk, he or she is often unaware of the rights which arise out of the status as *consumer creditor* of the bankrupt business.

The second problem is that the bank-

ruptcy process is not geared to protect the innocent consumer creditor. The forms are complicated, the courts often unresponsive, and no one is there to assist the ordinary citizen during the conduct of the proceedings. The Bankruptcy Courts are filled with experienced lawyers who practice there regularly, are friendly with each other, and who are unused to having to re-

spond to inquiries from large numbers of innocent consumers who feel justifiably outraged that they may lose money which they put up in good faith. But consumer claims are often so small individually that it does not pay anyone to hire an attorney to represent his or her interest in the court. Even if a consumer, or a group of consumers in a class action, were represented actively

during a bankruptcy proceeding, there is slight chance that they would ever see much money out of the process. First of all, there is a system of priorities under which lawyers who run the bankruptcy proceeding get paid first, claims arising *during* the proceeding are paid second (as distinguished from

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## Petitions Urge USDA To Upgrade Quality of School Lunch Program

During the past few years the nutritional value of food has become an increasingly important issue to consumer groups and the general public. Suddenly, more people are confronting the massive onslaught of junk food and fast food chains. Many have criticized federally funded school feeding programs for providing non-nutritious food to school children. The U.S. Department of Agriculture has traditionally focused a great deal of attention on food service efficiency but sorely neglected the nutritional value of foods.

Several citizen and consumer groups, including CFA, have organized to redirect USDA's emphasis and to upgrade the quality of foods served in school programs. This coalition of concerned organizations is leading its crusade for school food programs under the banner of the National School Food Action Committee (NSFAC).

NSFAC's first effort was to spearhead a petition drive aimed at USDA. The petition outlines a number of steps that the federal government can take to provide improved nutrition for millions of America's children. It was submitted on Food Day, April 21, to USDA's Assistant Secretary of Food and Consumer Services, Carol Tucker Foreman.

In addition to 2000 individual signatures, the petition was endorsed by numerous national, state and local consumer organizations, as well as 40 members of the House of Representatives. Specifically, it urges USDA to improve the quality of meals in federally subsidized programs by 1) adopting nutritional standards limiting fat content; 2) encouraging preparation of fresh food; 3) providing and promoting the use of adequate funding for training food workers; 4) allowing adequate time for children to eat their meals and 5) banning the sale of "junk" foods and encouraging the sale of nutritious snacks.

Michael Jacobsen, co-director of the Center for Science in the Public Interest, described the group's meeting at USDA as a sharp contrast to previous meetings between private activists and high USDA officials. "We are extremely en-

couraged by the willingness of new USDA officials to talk and work with concerned groups and individuals outside of the government," commented Jacobsen. Other groups and individuals that helped launch the petition campaign include: the Children's Foundation, Action Center (formerly Food Action Center), Food Research and Action Center, Mary Goodwin (Montgomery County Md. Health Department), and Joan Gussow and Jan Dodd (Program in

Nutrition Education, Columbia Teachers College, New York).

NSFAC has also published a "School Food Action Packet," including valuable information about school programs, a guide to organizing, and other useful items. The cost of the packet is \$1.50, but low-income groups and individuals may obtain the publication free of charge. Write to Center for Science in the Public Interest, 1757 S Street, NW, Washington, D.C. 20009.

## Consumer Calendar

**June 5-7 Consumer Education Conference**, sponsored by the National Community Consumer Education Project of the Paul Douglas Consumer Research Center, Mount Vernon College, Washington, D.C. See page 6 for further details.

**June 7 CFA Seventh Annual Awards Dinner**. L'Enfant Plaza Hotel, Washington, D.C., 6:30 p.m. Tickets: \$75. See page 1 for further details.

**June 8 CFA Board Meeting**, Retail Clerks Building, 1775 K Street, NW, Washington, D.C., 9th Floor Conference Room.

**June 10 Elderly Consumer Conference—Buying Problems and Fraud of Senior Citizens**, sponsored by the Graduate School of Business, University of Pittsburgh, Pittsburgh, PA.

A presentation and discussion of the first set of findings in an ongoing project funded by the administration on aging to study consumer problems and experiences of the elderly. For further information contact: Dr. Robert Perloff or Dr. Randi Koeski, 2117 Cathedral of Learning Graduate School of Business, University of Pittsburgh, Pittsburgh, PA 15260. (412) 624-6437 or (412) 624-3585.

**June 14 Citizen Action Fund Night**, Special fundraising events will be conducted in the following cities:

Billings, MT (Northern Plain Resource Council)  
Dallas, TX (Texas Committee on Natural Resources)  
Los Angeles, CA (People's Lobby)  
New Orleans, LA (Louisiana Consumers League)  
Madison, WI (Wisconsin Environmental Decade)  
Nashville, TN (Environmental Action Fund)  
Portland, OR (Oregon Environmental Council)  
Seattle, WA (Washington Environmental Council)  
Salt Lake City, UT (Utah Environmental Center)

The Citizen Action Fund was organized by Consumer Federation of America and four other national consumer and environmental organizations to arrange fundraising projects for public interest groups throughout the country which lobby.

**June 27-28 Warranties Conference**, co-sponsored by the Consumer Federation of America, HEW Office of Consumer Affairs, the George Washington University, the Young Lawyers Section of the Bar Association of the District of Columbia, and the Consumer Affairs Committee of the Chamber of Commerce of the United States.

Key representatives from each sector will be featured speakers and panelists. Further details will be published in the June issue of *CFA News*.

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*Folks*


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# California Citizen Action Group (CalCAG) Proves An Effective Consumer Advocate

California Citizen Action Group (CalCAG) is living proof that consumer activism is alive and well on the West Coast.

CalCAG was formed in late 1973 through the combined efforts of Ralph Nader, TV producer Norman Lear, and author Irving Wallace. From its humble beginnings this CFA member organization has expanded to include a paid staff of ten with offices in Los Angeles and Sacramento. It is the only consumer group in California which maintains a full-time lobbying staff in Sacramento. In both cities CalCAG has successfully organized grassroots groups to work on local issues which tie into statewide legislative programs. The group also works with administrative agencies and initiates law suits in the consumer interest when necessary.

CalCAG has been an efficient and effective advocate in many areas of consumer concern. It is presently conducting an ongoing statewide monitoring of milk prices to determine industry response to the price decontrol.

Recently the organization won its three year battle with the powerful dairy industry. The victory prevented \$200 million a year in price increases sought by the industry. This resulted in prices 8-12¢ per half gallon below the level which would have been set by the state.

CalCAG also became the principal lobbying group for legislation that has resulted in a majority of public participants on 17 industry regulatory licensing boards previously controlled by the industries they were to regulate. In another effort CalCAG obtained a court order striking down a regulation of the Fair Political Practices Commission that would have destroyed California's conflict of interest laws which were adopted by its citizens in 1974 by a two-to-one margin.

With regard to advertising reform, CalCAG filed a lawsuit that went to the U.S. Supreme Court and resulted in a ruling that the California law prohibiting the advertising of eyeglass prices was unconstitutional. It also filed suit against the California State Bar to declare unconstitutional its rules prohibiting lawyers from advertising. Additionally, CalCAG drafted and introduced legislation which would completely overhaul the state regulation of advertising and called for an increase in the number of prosecutors available to crack down on deceptive advertising.

In the energy area CalCAG played an active role in the campaign for Proposition 15, the Nuclear Safeguards Initiative. After monitoring campaign contributions, the group disclosed that a



CalCAG members handle produce at Davis Farmer's Market.

handful of corporations had contributed almost the entire \$4.5 million used to defeat the measure.

The CalCAG Sacramento chapter's study of conservation efforts in business and industry revealed that state buildings had cut energy use by 42% while Sacramento County buildings were

wasting over \$500,000 annually in taxpayers' money by failing to institute an energy conservation program.

In related activities, CalCAG petitioned the State Board of Architectural Examiners to require training of architects in insulation, solar energy systems, appliance efficiency and life-cycle costing. They have also continued legislative efforts to force major oil companies to divest their holdings in alternative sources of energy and disclosed that six oil companies control over 75% of California's precious geothermal resources and may be holding back development until prices rise.

CalCAG recently received three grants from the Federal Trade Commission (FTC) to represent the consumer interest in FTC rule-making proceedings. The first grant enabled the group to investigate the funeral industry and disclosed numerous deceptive practices used by the industry to extract millions of dollars from grieving consumers. That prompted CalCAG to call for an FTC crackdown and mandatory disclosures on the part of the industry to consumers. Consumers polled by

CalCAG overwhelmingly supported this regulation.

The second FTC grant was for a study of the ophthalmic industry. After surveying consumer awareness, industry practices, and government regulation, CalCAG found that the industry has withheld essential information from consumers, making it impossible for people to shop wisely for glasses. This practice resulted in overcharges of as much as \$1 billion a year nationally. CalCAG called on the FTC to require vision care specialists to disclose essential price and consumer protection information to consumers. The ophthalmic industry studies were quoted extensively in the Presiding Officer's report to the FTC and the FTC's statement to Congress describing the vision care industry.

A third FTC grant funded a CalCAG survey of consumer reliance on drug ads and found that millions of Americans are misled by what they see on T.V. It revealed that the vast majority of consumers want the government to prevent drug companies from making false claims in their ads. CalCAG developed and presented testimony on the various health and safety implications of misuse of over-the-counter drugs. The groups also created an objective test for measuring deceptive and misleading drug advertising to be used by the FTC. In all three areas—funeral, ophthalmic and over-the-counter drugs—CalCAG acted as counsel on behalf of consumers at the various hearings.

The Sacramento office of CalCAG surveyed prices and services of all pharmacies and vision care specialists, and the interest rates of bank and loan companies in the Sacramento area. The results were published in both English and Spanish and 30,000 copies of the guides were distributed.

In other areas, CalCAG surveyed attendance records of California legislators and found that some had attended fewer than 30% of all hearings while others attended nearly all. The group continues to monitor attendance and will be releasing information periodically.

Fundraising methods of CalCAG include door-to-door solicitation, direct mail, sustaining contributions from donors, grants, special fundraising events. Most contributions to CalCAG are from individual citizens (averaging \$3-\$5) and from annual contributions (\$15) of its membership which now exceeds 2500.

For further information, contact California Citizen Action Group (CalCAG), 909-12th Street, Sacramento, CA 95814.

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## *Hudak Joins CFA Staff As Legislative Director*

On March 14 Linda G. Hudak was welcomed to the CFA staff as legislative director. In her new position she will coordinate CFA's legislative activities before Congress, regulatory agencies and the courts.

A 1973 cum laude graduate of Duke University, Hudak holds a master's degree in Public Affairs from the Woodrow Wilson School of Public and International Affairs at Princeton University.

Prior to joining CFA, she was legislative liaison and project manager at Wisconsin's Office of State Planning. In that position Hudak drafted legislation and worked with the state legislature on its enactment. She also analyzed state and federal issues for the Governor's Office and spoke before civic and university groups on a variety of state issues.

As grass roots coordinator and lobbyist for Public Citizen/Congress Watch, Hudak lobbied for passage of the Agency for Consumer Protection bill in Congress. Her skills in that area were immediately put to use at CFA where she is once again working on the ACP effort.

Skilled in both French and Russian,



Linda Hudak

Hudak has both worked abroad and travelled extensively. In 1974, she spent the summer in Moscow. As an undergraduate, Hudak spent a semester studying at Aix-en-Provence in France.

In addition to devoting considerable time to passage of the Agency for Consumer Protection, Hudak is working on class action, congressional veto, co-op bank, and regulatory reform issues.

# CFA's Awards To Be Presented at Annual Dinner

(Continued from page 1)

one of the most crucial and effective legislative victories for public interest groups. As chairman of the Subcommittee on Health and Scientific Research of the Senate Committee on Human Resources, he has vigorously advocated a wide variety of health legislation, including sponsorship of a major national health insurance bill. His record is equally impressive in the areas of tax reform, education, voter registration, campaign financing, antitrust and in support of legislation affecting the nation's elderly and handicapped.

CFA will also present the Philip Hart Public Service Award to Congressman Frank Annunzio of Illinois for his work in the U.S. House of Representatives on behalf of the American consumer, particularly in the area of consumer credit.

As chairman of the House Banking, Finance and Urban Affairs Subcommittee on Consumer Affairs, Congressman Annunzio has initiated and supported a wide variety of consumer legislation. He recently moved his Debt Collection bill (which sets federal standards for the debt collection industry) toward final passage in the House. Since becoming Subcommittee chairman, Congressman Annunzio has also sponsored the Equal Credit Opportunity Act Amendments, Truth-in-Leasing legislation, and anti-surcharge legislation (the Fair Credit Billing Act amendments). All of these are now law. Under his leadership, the Subcommittee published a study entitled "Do Financial Regulatory Agencies Listen to Consumers?" and most recently "Give Your-



Senator Kennedy

self Credit," a guide to consumer credit laws.

Robert Partridge, Executive Vice President and General Manager of the National Rural Electric Cooperative Association (NRECA) has been selected to receive CFA's Distinguished Consumer Service Award. This award is presented annually in recognition of private citizens who have made significant contributions in the interests of consumers. A founding member of CFA and one of its most devoted supporters throughout the years, Robert Partridge has helped CFA to embody the true cooperative spirit by actively working to achieve a blend of rural and urban consumer interests. He has also made NRECA one of the strongest forces in



Representative Annunzio

the fight for a consumer oriented energy policy.

CFA's Award for Distinguished Service to Consumers Through the Media will be presented to Morton Mintz. A member of the national news staff of the *Washington Post*, Mintz is known as one of the country's most knowledgeable and effective consumer reporters. His aggressive investigative pieces, especially in the areas of energy and health, have served to inform consumers of many significant issues. Mintz's recent energy stories uncovered such things as producers withholding natural gas supplies, the impact on consumers of skyrocketing fuel prices and the stranglehold by the major oil companies on all phases of energy pro-

duction. In the health area he was largely responsible for breaking the thalidomide story for which he won four major journalism awards. His controversial book, *The Therapeutic Nightmare* (1965), exposed lax federal control of drugs and led to eventual FDA reform.

The dinner will also feature special tributes to Carol Tucker Foreman and Gladys Kessler.

Before her recent appointment as Assistant Secretary of Agriculture, Carol Foreman served as CFA Executive Director for three years. During her tenure she worked untiringly to expand CFA's membership, as well as the breadth and depth of issues in which CFA is involved. As a result, CFA has become a strong and respected voice for consumers before Congress, federal agencies and the courts. Carol Foreman also helped to bring CFA into the political arena by encouraging creation of its 1976 Political Action Fund.

CFA also owes a great deal of gratitude to Gladys Kessler, who has been an effective and dedicated legal counsel to CFA for the past three years. Before becoming CFA counsel, she was a consultant to CFA's Committee on Credit and participated in meetings conducted by CFA in connection with the Uniform Consumer Credit Code, a state effort to subvert the Truth-in-Lending Act. Ms. Kessler has recently been nominated to serve in the Superior Court of the District of Columbia.

Tickets for the June 7th Awards Dinner are \$75 each and tables of ten may be reserved for \$750. A cocktail reception will be held at 6:30 p.m. on the Ballroom Terrace of the L'Enfant Plaza Hotel followed by dinner served in the Grand Ballroom. Chairperson for the event is CFA board member, Evelyn Dubrow, legislative representative for the International Ladies Garment Workers Union.

In addition to honoring Consumer Federation of America's distinguished award recipients, your presence at the Seventh Annual Awards Dinner will help support the activities of CFA. The awards dinner is CFA's major fundraising event each year. In view of the growing demands upon our limited resources, your attendance is more important than ever. For reservations or further information contact CFA at 1012 - 14th Street, N.W., Washington, D.C. 20005, or call (202) 737-3732.

## Bankruptcy Legislation for Consumers

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consumer claims arising *before* the proceedings started), employees are paid some of their back wages third, contributions to pension plans are made fourth, and the Internal Revenue Service gets paid fifth for any overdue taxes still owed to the government. If there is money left, and statistics from the National Commission on the Bankruptcy Laws of the United States indicate that this is not common, then consumer creditors can share equally with everyone else who has a claim against the bankrupt. But it is not quite that simple. Before any of the priority money is distributed, banks and other lenders who have security (such as mortgages or financing statements) are allowed to foreclose on the property which they have secured. They can sell the property and take the proceeds until their security is paid off, thus making it unavailable to the bankruptcy estate for payment to non-secured (general) creditors. As if that were not enough, if the property which they sell is insufficient to

pay their debt, they can become general creditors for the balance and share the pot with consumer creditors and all other general creditors.

Because this situation is so unfair to innocent consumer creditors (it is strongly arguable that businessmen selling goods to stores which become bankrupt account for this risk in the price they charge; consumer creditors are unwitting creditors and do not have the opportunity to hedge against this risk), the National Association of Attorneys General has proposed certain amendments to the Bankruptcy Act which Congress is now considering.

First, the list of priorities would include consumer creditors directly in line behind pension plans and *ahead* of the IRS. Statistics show that in a large majority of commercial bankruptcies the IRS gets paid. Under the proposal, consumer creditors would have this favored position before Uncle Sam. Next, the proposals call for representation of consumers in bankruptcy by the various state attorneys general. This would solve the problem of numerous

claims, each too costly to pursue individually, and allow the consumer protection enforcement offices in the states to appear and argue on behalf of consumer creditors in bankruptcy proceedings. Finally, the proposals would take some of the exclusive right to determine the conduct of the bankrupt's business away from the bankruptcy court and allow state law enforcement officials to regulate unlawful behavior if it is occurring. There is also a proposal that special forms and mechanisms be devised so that consumer creditors can have easy access to and understanding of the bankruptcy process.

As of this writing, the majority of these proposals have been favorably received by the House Judiciary Committee's Subcommittee on Civil and Constitutional Rights, which is considering bankruptcy reform. But the process is far from over. Consumers who have felt the unhappy frustration of being left out of the bankruptcy process should tell their Congressperson to include them when the law is changed this year.

### Mark Your Calendar!

June 7

CFA Annual  
Awards Dinner

## At Consumer Assembly '77

# Workshops Keep Consumer Advocates Up-to-Date

In addition to hearing presentations by Cabinet members and heads of regulatory agencies, Consumer Assembly '77 attendees participated in nine workshops on February 10-11 designed to update current consumer issues, offer new resources, and improve the skills of private and government consumer advocates.

Below is a brief synopsis of each of these workshops. More detailed accounts and lists of consumer resource persons in each area are included in the March 1977 issue of *The Action Faction*. Copies of this issue are available free by contacting the Paul H. Douglas Consumer Research Center, Inc., 1012 14th St., N.W., Washington, D.C. 20005. Telephone: (202) 347-5813.

### Electronic Funds Transfer System

At the "Consumers Look at Electronic Funds Transfer System" workshop, four consumer representatives discussed the extent to which EFTS has been utilized in their states and some of the problems of these systems.

The basic idea behind EFTS is efficiency: transactions now handled by checks can be processed faster and cheaper by direct instructions from a business' computer to a bank's computer in moving funds from one account to the other. Since the exchange is effected electronically, no paper changes hands and only minute amounts of time are involved.

Several apparent problems with the system are the risk of human error; the

regulation of debit cards; and further, that EFTS is not yet paying its own way.

### Media

The practical aspects of getting media coverage by newspapers, radio, and television were presented to consumers by a panel of media professionals and consumer spokespersons at a "Skills for Activists: Reaching the Media" workshop.

General tips on "what to do" and "who to know" in the television world as well as suggestions for talk show guests were discussed.

Panelists urged consumers to take more advantage of free public service announcements on radio and television. To help achieve this goal, the Public

Media Center has produced a publication entitled "Strategies for Access to Public Service Advertising," giving complete information on the public's legal right to free air time. For further information regarding the publication, contact Public Media Center, 2751 Hyde Street, San Francisco, CA 94109.

### Organizing

Tactics for generating community support were explored in the workshop, "Organizing for Power."

Public relations was cited by panelists as being an essential element in organizing for consumer power. Activities clearly benefit from good local organizing and public relations efforts. The panel also felt that public interest groups have been ignoring public opinion polls that can be used very effectively. They outlined how a polling operation could help consumer groups pinpoint the best and most effective arguments for use in promoting their interests, noting that corporations use polls to do this all the time.

### Fundraising

The workshop, "Skills for Activists: Fundraising—the Perennial Problem" dealt with fundraising skills and a variety of solutions to the never ending problem of finances.

The three-member panel outlined basic steps in a fundraising plan: contacting potential funding sources, explaining the connection the source has to the project, and finally, convincing the source that the investment is worthwhile.

Consumer representatives were offered a fundraising "menu" including events such as bingo, carnivals, raffles, walk-a-thons, or concerts.

Canvassing, a very popular method of fundraising for public interest groups, was also discussed.

### Newsletter

Newsletters are an important information, educational, and lobbying tool for many state and local consumer groups. Four editors of successful consumer newsletters aired their experiences in the workshop, "Skills for Activists: Putting Out a Newsletter."

Consumer representatives were told to seek out and utilize the storehouse of valuable resources found in their local communities. For example, schools and universities can offer free advice as well as student volunteers. Newsletters can be distributed to doctors' and dentists' offices or any public institution where they might be seen and read.

Promoting and selling a newsletter was another topic of discussion. Panel members stressed the importance of identifying a target population, then focusing on that specific group.

A report prepared for HEW's Office of Consumer Affairs by the Washington Center for the Study of Services

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## A View from CFA

# Carter's Energy Message

The Carter Administration deserves considerable credit for having focused on energy as a first level problem meriting prompt attention, even though the consequences and impact of its action are perhaps decades in the future. The Energy Policy Task Force (EPTF) believes that some of the elements of the President's energy package should be modified, that some should be omitted and that some should be added. Specifically, EPTF feels that it is folly to predicate domestic energy prices on those set by 13 oil ministers in their OPEC cartel. But, in general, the program offers a rational approach which warrants the support of consumer groups even though EPTF will make every effort to press for those changes deemed important and essential.

Consumers should be particularly encouraged by the following programs offered by President Carter, all of which have been CFA policy resolutions for which EPTF has lobbied actively.

**Conservation**—Finally the Federal government has recognized the importance of conservation. The economic incentives, tough standards, and stiff penalties offered by President Carter are endorsed by EPTF.

**Utility Rate Reform**—President Carter proposes a revised rate structure that no longer rewards large industrial users with discounted rates and that permits homeowners to opt for peak load pricing.

**Intrastate Gas Controls**—Similarly, the extension of protections from exorbitant natural gas pricing to people living in producing states is long overdue. Further, this action will remove incentives for producers and Governors to hoard natural gas supplies in their states while the rest of the country suffers from shortages.

On the other hand, EPTF feels that

consumers are unduly disadvantaged by the following provisions.

**Abandonment of Cost Based Pricing**—The most difficult part of the Carter package from the consumer viewpoint is the abandonment of cost-based regulation of natural gas and the substitution of a "cap" approach. We continue to believe that a generous return of 15-18% on investment in addition to the cost of production is the rational way to regulate natural gas prices. The use of a ceiling or "cap" could well result in a continued reluctance on the part of investors so long as they can believe that Congress will respond to pressure to raise the "cap." Even if Congress were to follow the Carter approach, we are convinced on the basis of evidence obtained by the FPC that the "cap" price resulting from the formula proposed by President Carter is excessive. We will undertake a vigorous effort to press our views before Congress on this crucial point.

**Gasoline Taxes**—On the issue of increased gasoline taxes, the Administration is apparently dubious about the effect or the need. In short, the schizophrenia of the Administration on this issue demonstrates its fundamental weakness: a 5 cent or even a 25 cent increase in gasoline taxes will have so little impact on gasoline consumption, and so enormous an impact on family budgets and the national economy that it is hardly worth imposing. Admittedly, the Administration is well intentioned in its desire to reduce gasoline consumption. But until there is a more convincing case that artificially adding to the family budget will be effective and that the rebate mechanism will work, we believe this idea ought to be put back on the shelf.

The announced intention of continued governmental regulation of oil and

gas prices is a critical element of the entire program. However, the concept of pegging our domestic prices to those artificially set by the OPEC cartel is arbitrary, capricious and potentially devastating to the economy. It is difficult enough to convince the consumers of this country that there is a genuine energy crisis in the offing, but this task will be even more difficult unless there is adequate assurance that companies in the energy business will not be permitted to profiteer at a time when the nation is being asked to adjust its life style.

Although conceptually the notion of increased oil and gas prices with a rebate is appealing, consumers who have been hard hit in the past three years by soaring fuel bills will want to be certain that the proposed rebate mechanism is as equitable as possible and that in fact it will be an integral part of any legislated increases. There is a healthy skepticism about the ability to enact a workable program of price increases/tax rebates and we will follow this with great care and concern.

Although there are some areas of major disagreement with the Administration, it would be improper to infer that we are in opposition to the Carter program. The President is correct in calling upon all people to be willing to make some sacrifices. The Task Force will make every effort to ensure that the burdens on our society and on various regions of the country will be as equitable and as fair as possible.

The Energy Task Force of the Consumer Federation of America will work closely with the Administration and the Congress to improve the program where we feel it is necessary and will work to secure enactment of a strong, rational, national energy policy.

# Agency for Consumer Protection—A Must

(Continued from page 1)

sumptions (that there would be no natural gas shortage, and that competition would lower prices) were unjustified. In fact, the Federal Power Commission (the agency with jurisdiction over natural gas) had estimated that there would be natural gas shortages even if the winter was average, and it has long been acknowledged that the market for petroleum products is not competitive. The FEA estimated that *with* controls the price would rise two to three cents per gallon over the winter, and that price increases without controls would not exceed that figure. Further, the FEA projected that without controls supply would be more than adequate. Finally, the FEA assured the public that prices would be monitored, and if excessive, controls would be reimposed.

In actuality, after those price and allocation controls were removed by the FEA, the price of residential home heating oil went up 5-8 cents per gallon and oil industry profits soared. Each one cent increase translates into a collective consumer cost of \$400 million. Thus the impact on consumers over and above the estimate that prices (*with* controls) would increase three cents was (as estimated by the Library of Congress) between \$800 million and \$2 billion. A measure of the burden this action placed on consumers is that Congress was compelled to appropriate \$200 million in emergency funds to assist low income consumers in paying their bills. This action paralleled action taken by many states. Taxpayer money filled oil company coffers.

Of no less consequence is the fact that the removal of allocation controls led to shortages and great distribution inefficiencies. The FEA's monitoring system which should have protected the public simply did not. As is typical, the oil industry had the FEA's undivided attention in the agency proceedings. Consumers and consumer groups simply did not have the financial resources or the technical expertise to challenge industry data and arguments, which inevitably and conveniently show that decontrol and higher prices are necessary.

An Agency for Consumer Protection could have intervened in those proceedings. With their resources and clout they could have argued forcefully that the FEA was underestimating winter demand, that the oil industry is not competitive, and that the FEA should proceed with caution in decontrol of petroleum products. Further the Agency could have cross-examined industry's witnesses, called its own experts, and made the appropriate legal and economic arguments to rebut industry's data and position.

**Oral Diabetic Drugs**—The Food and Drug Administration originally planned in 1972 to issue a warning label for oral diabetes drugs. Scientific evidence demonstrated that these drugs do little if anything to reduce the risk of dying from diabetes and indeed a strong case was made that the drugs caused death

from cardiovascular disease. The FDA's effort was blocked however, by a group of doctors who obtained an injunction against the proposed label. Although the original court injunction was vacated by an Appeals Court in July, 1973, the FDA has still not issued a warning label.

The danger inherent in the drugs received renewed public attention on July 10, 1975 when Morton Mintz reported in the Washington Post on the FDA's failure to control these dangerous drugs. The report quoted Dr. J. Richard Crout, director of the FDA's Bureau of Drugs, as saying that phenformin, one of the drugs, "has no role in the treatment of diabetes," and is so dangerous that it should be taken off the market. Dr. Crout testified to the Senate Monopoly Subcommittee that this action, however, must come from the FDA's Metabolic and Endocrine Advisory Committee. That committee conducted hearings in August of 1975 and requested an audit of the University Group Diabetes Program which had come up with the findings. It is now April, 1977 and the audit is not complete. There is no indication as to when, if ever, the FDA will act. Indeed it is *not* the Advisory Committee which decides, for as its name suggests, it is an *advisory* committee. Dr. Crout must decide. Subcommittee Chairman Senator Gaylord Nelson has said that 10,000-15,000 persons die every year from cardiovascular disease related to these drugs and 99% of the users should never have them prescribed.

An Agency for Consumer Protection could monitor this program, expose the delays, and push for expeditious action.

Creation of an Agency for Consumer Protection is the best route to reforming the existing federal agencies because it addresses the fundamental flaw in the regulatory process—lack of a true adversary proceeding. Regulatory agencies are structured to act as judges—to hold hearings and to make an objective decision after having heard a vigorous debate of the issues by advocates of each side. But time after time this system has broken down when no one has come forward to represent the consumers' viewpoint in the agency proceeding. It would be contradictory to expect the agency to act simultaneously as judge and as advocate for one side—the consumers.

Specifically, the independent Agency for Consumer Protection would 1) defend and promote consumer's interests before federal agencies and would plead the consumer's case in Federal courts., 2) collect consumer complaints, analyze them for patterns of abuse, forward them to the appropriate agencies for resolution, and supply un-biased information concerning products and business practices which affect consumers.

The proposed annual budget of ACP is \$15 million—about 1/200 of the Department of Commerce's annual budget. ACP would cost the average tax-

paying American family about 25¢ per year. The ACP would more than pay back its costs to consumers.

While ACP is opposed by several large trade associations, such as the Chamber of Commerce and the National Association of Manufacturers, it has been endorsed by over 100 progressive businesses (Atlantic Richfield, Gulf and Western, Levi-Straus, Jewel Food Company, Mobil Oil, Stop and Shop Companies, Montgomery Ward, Stride Rite Shoes.) Our national coalition of ACP supporters, which includes over 150 state and local consumer, farm, senior citizen, religious, civic and labor groups is already gearing up for our final lobbying effort on this bill.

There are many new faces in Congress this session who need to be edu-

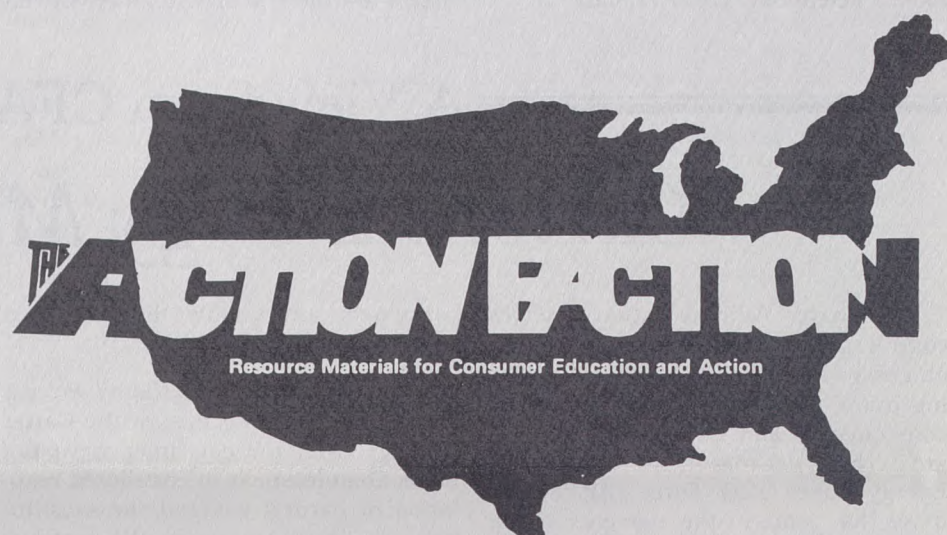
cated on the merits of this legislation. Since ACP opponents will be mounting a vigorous campaign, we need your help *immediately*.

- Write your Senators and Representatives urging them to support passage of HR.6118 and S.1262 and to oppose all weakening amendments.

- Send pro-ACP letters to the editor of your newspaper—sample letters and media kits will be sent to state and local groups. Individuals may obtain kits by contacting CFA.

- Urge businesses in your district to endorse the ACP Bill.

- Reprint the enclosed flyer and distribute copies to members of your organization, friends, neighbors, and urge them to send the flyer to their representatives.



## Consumer Education Conference—June 5-7

- In San Francisco, Consumer Action has published a guide to help consumers unravel the mysteries of savings accounts.

- In Florida's Hillsborough County, Law Inc. is conducting evening seminars to equip consumers with the information and skills needed to use the county's small claims courts.

- In New York City, the Department of Consumer Affairs is distributing a handbook created to help handicapped consumers become fully participating members of society.

- In Seattle, CAMP Consumer Action Project is training community workers to serve as consumer advocates for their clients.

What's happening in your community?

CFA's education and research foundation, the Paul Douglas Consumer Research Center, is sponsoring a conference on community-based consumer education, June 5-7, 1977 at Mount Vernon College in Washington, D.C. Conference workshops will highlight successful consumer education projects of state and local groups and consumer protection agencies, as well as provide opportunities for activists and educators to hone skills, develop new resources, and share ideas.

The consumer education conference is an activity of the Center's National Community Consumer Education Project, which also publishes a monthly newsletter, *The Action Faction*, for state and local groups. The Project is supported by a grant from the U.S. Office of Consumers' Education.

Funds to help defray transportation and other expenses will be available to groups that otherwise would be unable to send a representative. For further information about the conference program and/or travel funds contact: Sherry Lindquist, *The Action Faction*, Paul Douglas Consumer Research Center, 1012 - 14th Street, N.W., Washington, D.C. 20005. (202) 347-5813.

## Help Wanted

Contact your Senators and Representatives urging them to vote for the Agency of Consumer Protection

# CFA Legislative Wrap-Up

**Agency for Consumer Protection.** President Carter's enthusiastic endorsement of this legislation in his April 6, 1977, Consumer Message has given a big boost to the eight year effort to create an Agency for Consumer Protection (ACP) to represent the interests of consumers before government agencies and the courts. CFA Executive Director Kathleen O'Reilly testified at both the Senate and House hearings on the ACP bills, S. 1262 and H.R. 6118.

The new ACP bills are similar to the legislation introduced last session. Due to the new Congressional budget schedule, the respective House and Senate Committees must finish their work on the bills by May 15. Senate and House sponsors then expect to bring the bills to the floor for a vote as quickly as possible. This looks like the year consumers can finally pass this legislation, but business opponents are once again mounting a strong effort. ACP supporters will be challenging any attempts to weaken the bills and will try to pass the legislation by the widest possible margin in order to give the new agency a strong Congressional mandate. (see article on page 1)

**National Consumers' Cooperative Bank.** On May 5 the House Banking, Housing and Urban Affairs Committee approved H.R. 2777, legislation to create a Consumers' Cooperative Bank to provide much-needed financing and technical assistance to urban and sub-

urban cooperatives. Similar legislation is currently being considered by the Senate Banking Committee (S. 1010).

The legislation as passed by the House was substantially weakened after the Treasury Department testified that it favored a more cautious approach. The bill as passed will provide the Bank with initial funding of \$100 million which represents a cut of \$150 million from the original bill. Additionally, funding for a self-help program, originally set at \$250 million, will be retained but spaced over a 10 year period. The self-help programs will be administered by ACTION instead of the Bank. Finally, the new version of the bill increases government control of the Bank's operations.

Hearings were held the third week in April, with Kathleen O'Reilly representing CFA.

It is still unclear whether the new version of the bill is satisfactory to the Treasury Department. Although this bill has substantial Congressional support, strong Administration opposition could defeat it. Pro-Co-op Bank letters to President Carter are needed to prevent further weakening.

**Public Participation Reimbursement.** Legislation authorizing government agencies to reimburse citizens and citizen organizations for the expenses they incur when participating in agency proceedings has been introduced in both the Senate (S. 270) and the House (H.R.

3371). Kathleen O'Reilly represented CFA at House and Senate hearings on the bill in March. She testified that citizen participation in agency proceedings has often been impossible due to the high cost of such participation, including attorney's fees, expert witness fees, transportation, etc. The Federal Trade Commission has provided such reimbursement since July 1975 in a program which serves as the prototype for the present legislation which would amend the Administrative Procedure Act to extend this authority to other agencies. An attempt by Senate sponsors to permit the bill to move directly to the full Senate Judiciary Committee for consideration was unsuccessful. The bill will be considered in Subcommittee sometime in May.

**Airline Deregulation.** In early April Linda Hudak, CFA's legislative director, testified on Senate bills S. 689 and S. 272 which propose the deregulation and restructuring of various parts of the airline industry. CFA expressed major concerns with this legislation. Specifically, 1) the bills do not adequately protect air service to small communities; 2) the provisions which allow carriers to immediately raise fares annually by 10% until January 1, 1980 and then by 20% annually are excessive, 3) the bills contain no directive to the CAB to establish guidelines for public participation reimbursement and 4) the bills lack any serious con-

sideration of the impact of the proposed reforms on the employees of the national and local airline carriers.

## Clinical Laboratory Improvement.

On March 30, Kathleen Sheekey, CFA's Director of Information, testified before the Senate Subcommittee on Health and Scientific Research in support of the Clinical Laboratories 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 as regards both facilities and personnel. "By legislating and enforcing appropriate standards," said Sheekey, "it is hoped that the shockingly high error rate for lab tests in this country (estimated at between 20-50%) will rapidly and effectively be reduced."

CFA's testimony focused on the need to strengthen the bill in the following respects:

- include provisions for reimbursement for citizen participation in agency proceedings, citizen suits and standing
- require laboratories to submit to the Secretary of HEW a statement of their policy and procedures for acquisition of major capital equipment, a list of such equipment purchased in the past year, and the number of hours the equipment is used directly related to the processing of specimens. (Such a requirement would force laboratories to take a closer look at their purchasing policies and ultimate utilization.)

- establish a procedure for evaluating the accuracy, reliability and performance of laboratory testing equipment and make the results available to the public

- establish an HEW division to provide a concerted program of applied research, development and diffusion for new laboratory methodologies and practices

- establish State Advisory Councils as counterparts to the Federal Advisory Council called for in the bill

- authorize the Secretary of HEW to make grants to qualified scientists to do applied research in improving laboratory methodology and utilization

- provide for a study examining the problems of rural laboratories in hiring and training individuals to meet the standard qualifications, and identify how these problems may affect national standards.

It is expected that the Subcommittee will send the bill to the full Senate Committee on Human Resources for markup on May 11. A companion measure has been introduced in the House by Rep. Paul Rogers (D-Fla). CFA plans to testify at hearings scheduled at the end of May before the Health and Environment Subcommittee of the House Commerce Committee.

**Electronic Funds Transfer Systems.** In March 22 testimony before the Subcommittee on Financial Institutions of the Senate Banking Committee on "EFT

(Continued on page 8)

## Workshops Aid Activists at Assembly '77

(Continued from page 5)

titled: "Demonstration of Metropolitan Area Consumer Services Evaluation: Guide for Starting a Local Service Evaluation Magazine" was distributed to all workshop participants. To obtain a copy contact: Office of Consumer Affairs, HEW, 330 Independence Ave., S.W., Washington, D.C. 20201.

### Utilities

Three state level utility advocates participated in a "Consumers and Utilities: Intervention and Reform" workshop. They outlined three critical elements in a successful challenge of utility company practices of hike requests—technical knowledge, a political power base, and community support.

Panelists shared the experiences of their states in fighting utility rate increases and discussed tactics for consumer representatives to use in organizing their own local campaign to combat increased rates.

### Farmers' Market

Consumers tend to forget the food chain has numerous links, and thus may accept as inevitable the ever rising prices in the supermarket. The workshop, "Shortening the Food Chain:

Creating Farmer-to-Consumer Markets" focused on ways to market food which can result not only in better prices for both farmers and consumers, but also improved nutrition through the increased use of whole, fresh foods.

Workshop participants viewed a brief slide presentation which demonstrated the actual workings of a local farmers' market. Panelists told consumers that farmers are very willing to participate in this type of program because it enables them to make a reasonable profit while simultaneously providing fresh produce to consumers at nearly 50% below retail store prices. The mobility of the markets provides for access by people in all parts of the region and at all income levels.

### National Utility Advocates

Current utility issues of interest to consumers were discussed in the workshop entitled "National Utility Advocates Panel: A Legal Update."

The session began with a discussion of federal laws and regulatory agencies which affect utility practices. The Federal Energy Administration and the Federal Power Commission were cited as the primary agencies issuing decisions affecting utilities. The panel believed

that the lack of coordination among agencies is a major obstacle in developing a uniform national policy on utility issues and discussed possible methods for creating increased interaction among these agencies.

Other issues discussed included electric rate structure, customer service regulations, and the new gas conservation proposal for utility financing of home insulation.

### Complaint Handling

In the Consumer Assembly workshop, "Complaint Handling—Whose Responsibility?", the tradeoffs between public and private complaint handling as well as other issues concerning consumer redress were discussed.

The panelists focused on the rudiments of organizing and maintaining an efficient consumer complaint center. They emphasized three important points for successful operation of a complaint center:

- Keep the complaint center's staff interested and motivated.

- Define the scope of the agency's operation in order to prevent duplication of services by other agencies.

- Perform like a law enforcement agency ("Don't be a soft shoulder.").

# CFA Legislative Wrap-Up

(Continued from page 7)

and the Public Interest," the report of the National Commission on EFT (Electronic Funds Transfer), CFA Executive Director Kathleen O'Reilly charged that the Commission report had a whimsical "Alice in Wonderland" quality to it and when faced with hard issues the Commission responded with the naive assertion that competition would accommodate the problem. "Although the Commission has addressed many of the obvious issues, a bafflingly large number of issues seem as unresolved as when the Commission was created," stated O'Reilly.

Highlights of O'Reilly's testimony included:

- Criticism of the Commission's belief that consumers wield enough power to ensure that financial institutions are responsive to their needs and desires. This belief supposes a market characterized by vigorous competition, an assumption with which the Commission itself disagrees.

- Criticism of the Commission's failure to recommend legislation to guarantee a choice of payment alternatives for consumers, and its failure to present a detailed list of appropriate modifications to existing consumer protection laws.

- Criticism of the Commission's failure to call for strict sanctions for computer crime and for invasions of privacy.

- Criticism of the Commission's assessment of liability for computer errors, which does not adequately protect consumers.

In short, the proliferation of EFT and the concomitant consumer concerns call for an imaginative and comprehensive reaction by the Commission, not a rehash of issues that have been known since EFT's inception.

**Audit.** On March 2, 1977, CFA Executive Director Kathleen F. O'Reilly testified before the Subcommittee on Commerce, Consumer, and Monetary Affairs of the House Government Operations Committee supporting H.R. 2176, a bill to provide a Government

Accounting Office (GAO) audit of the Federal Reserve Board (FRB), the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (FDIC). At issue is the need to establish a mechanism which establishes at least minimal accountability of these agencies for their regulatory and enforcement responsibilities and their expenditures.

Typically, Congress has two checks on Federal Agencies, legislative control of their budgets, and/or a GAO audit. A GAO audit facilitates Congress's ability to oversee, and where necessary reform, these agencies by providing reliable data on what the agency is doing, and how efficiently it is doing it.

However, these agencies are removed from both of these processes. The result is excessive and wasteful spending, and an inadequate enforcement of consumer protection laws. In her testimony, Ms. O'Reilly scored the FRB for frivolous expenses, such as \$389,000 for cocktail parties, and for its lax enforcement of the Equal Credit Opportunity Act. The Comptroller was criticized for its performance in enforcing the Truth in Lending Act.

The idea of a GAO audit as an instrument to hold the FRB accountable is not new. It was most recently championed by the late Wright Patman, Chairman of the House Banking Committee, in the last Congress. The concept has been expanded this session by Congressman Rosenthal (D-NY) to include the other two agencies.

An annual audit with an annual report to Congress of these agencies by the GAO is a sensible way to hold these agencies accountable for their spending patterns and for the vigor with which they pursue their enforcement responsibilities. For more than two years, CFA has supported this approach. Failure to pass this simple proposal which would allow Congress to extract some measure of fiscal and policy accountability from these agencies should be viewed by consumers as an indefensible abandonment of its responsibilities to the electorate.

**Debt Collection Practices.** On April 4, 1977 the House passed the Debt Collection Practices Bill, a new title to the Consumer Credit Protection Act. The bill is essentially identical to last year's bill. It restricts the nature and circumstances under which debt collectors may communicate with consumers in their home and office and with third persons for the purpose of acquiring information about the consumer. Harassment or intimidation, including violence, criminal harm, threatening or constant calls, publication of a list of alleged dead beats, abusive or profane language, etc. is prohibited. Both civil penalties and criminal sanctions for willful violations of the title are included.

Senator Riegle's bill, S. 918, being considered by the Senate, is similar to the House bill but tougher in two sig-

nificant provisions. First, in the Senate bill the creditor is held jointly liable with the debt collector if he knows of the violating practices. This would encourage creditors to be more careful in choosing and supervising debt collectors. Second, state officials are given the authority to enforce the law. This would add another avenue of enforcement and make the law that much more effective. In addition S. 918 covers repossession companies and provides for damages for emotional distress.

The need for legislation to control debt collectors' abusive practices is pressing. Thirteen states have no law at all governing such practices and another twelve states have only very weak legislation.

There is strong opposition to the Debt Collection Practices Bill. The House bill passed by a margin of only one vote. S. 918 still faces hard struggles in the Banking Committee and on the floor. Urge your Senator to support S. 918—every vote possible is needed.



## Consumer Federation of America NEWS

Consumer Federation of America

1012 - 14th Street NW, Washington DC 20005

President . . . . . Lee Richardson  
 Executive Director . . . . . Kathleen O'Reilly  
 Legislative Director . . . . . Linda Hudak  
 Information Director . . . . . Kathleen Sheekey  
 State and Local Projects . . . . . Sally Taylor  
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# SUPPORT THE AGENCY FOR CONSUMER PROTECTION

"I'm in favor of the establishment of the consumer protection agency. . . .(This measure) will enhance the consumer's influence within the government without creating another unwieldy bureaucracy. I believe (it) will increase confidence in government by demonstrating that government is considering the people's needs in a sensitive and responsive way."

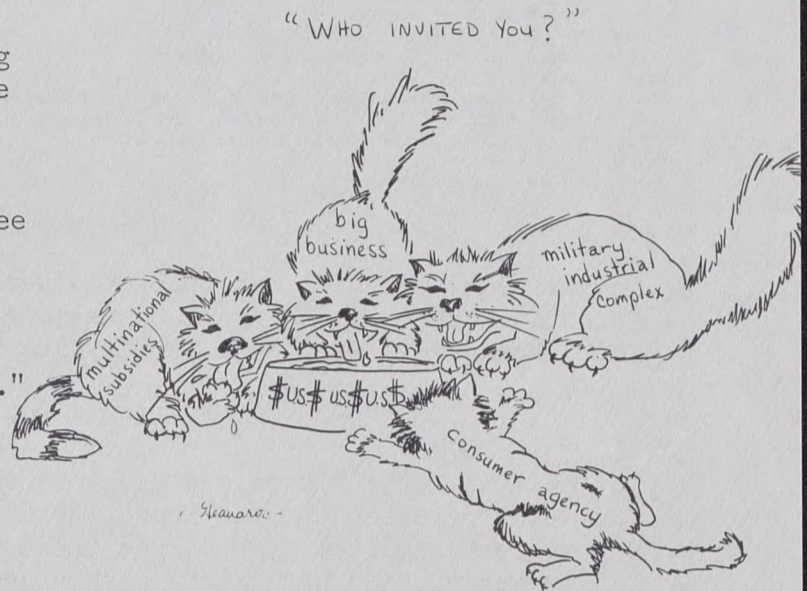
President Jimmy Carter

"With the Congress and the Administration working together, this should finally be the year for the passage of this long overdue legislation."

Rep. Jack Brooks (D-TX)  
Chairperson, House Government Operations Committee

"This agency is needed to give consumers a voice in government which can be heard. It provides a measured response to a pressing national problem."

Senator Abraham Ribicoff (D-CT)  
Chairperson, Senate Government Affairs Committee



Day after day, Federal agencies make decisions which affect consumers' health, safety and pocketbooks. Yet the consumers' voice is often absent during agency deliberations. Thousands of pages of Congressional testimony and scores of newspaper headlines document the specific abuses that have resulted from the lack of a vigorous consumer advocate in government. For example:

--In 1972, the Federal Aviation Administration determined that a defective DC-10 cargo door latch had caused a fatal air crash. The National Transportation Safety Board recommended that the manufacturer be required to fix the cargo door. The manufacturer intervened, asking the rule be permissive not mandatory. The FAA agreed. In March 1974, a DC-10 with a defective latch crashed, killing 344 people. An ACP could have fought for mandatory correction of the latch.

-- In the summer of 1976 the Federal Energy Administration (FEA) removed price and allocation controls from home heating oil. Despite evidence that decontrol would cause prices to soar, FEA assured the public that the cost of heating oil would increase only 2-3¢ per gallon. However, after controls were removed the price of home heating oil rose by 5-8¢ per gallon costing energy consumers an additional \$800 million to \$2 billion dollars. ACP could have opposed the decontrol decision by presenting evidence that predicted natural gas shortages would drain heating oil supplies and cause prices to skyrocket.

## IN WHAT SPECIFIC WAYS WOULD THE PROPOSED AGENCY PROTECT CONSUMERS?

The independent Agency for Consumer Protection would:

- Defend and promote consumers' interests before federal agencies and would plead the consumers' case in Federal courts.
- Collect consumer complaints, analyze them for patterns of abuse and forward them to the appropriate agencies for resolution.
- Supply unbiased information to consumers concerning products and business practices.

## WHY WOULD CREATION OF AN ACP MAKE THE EXISTING FEDERAL AGENCIES WORK BETTER?

ACP would reform the agencies because it addresses the fundamental flaw in the existing regulatory process -- lack of a true adversary proceeding. Regulatory agencies are structured to act as judges -- to hold hearings and to make an objective decision after having heard a vigorous debate between advocates for each side. Yet this system has repeatedly broken down when no one has come forward to represent the consumers' viewpoint because consumers often lack the necessary resources to participate. The agency decision-makers cannot act simultaneously as judge and as advocate for the consumers side -- an independent voice is needed.

HOW MUCH WILL THIS AGENCY COST?

The proposed annual budget of ACP is \$15 million -- about 1/200 of the Commerce Department's annual budget. ACP would cost the average taxpaying American family about 25¢ per year. If the ACP were to perform only one successful intervention in its first year, such as preventing the CAB from raising airline fares unnecessarily, it would more than pay back its costs to consumers.

SUPPORTERS OF THE AGENCY FOR CONSUMER PROTECTION

- |   |  |
|---|--|
| Amalgamated Clothing Workers of America (AFL-CIO)                       | National Congress of Hispanic-American Citizens                |
| Amalgamated Meat Cutters and Butcher Workmen (AFL-CIO)                  | National Consumers Congress                                    |
| American Association of Retired Persons                                 | National Consumers League                                      |
| American Association of University Women                                | National Council of Senior Citizens                            |
| Americans for Democratic Action   | National Farmers Union   |
| B'nai B'rith Women  | National Women's Political Caucus                              |
| Common Cause  | Oil, Chemical and Atomic Workers International Union (AFL-CIO) |
| Communications Workers of America (AFL-CIO)                             | Public Citizen (Congress Watch)                                |
| Consumer Action for Improved Food and Drugs                             | Retail Clerks International Association (AFL-CIO)              |
| Consumer Federation of America  | Sierra Club  |
| Consumers Union of the United States, Inc.                              | United Auto Workers  |
| Cooperative League of the United States of America                      | United Mine Workers of America                                 |
| Friends of the Earth  | United Presbyterian Church (Washington Office)                 |
| International Association of Machinists and Aerospace Workers (AFL-CIO) | United Steelworkers of America (AFL-CIO)                       |
| International Union of Electrical Radio and Machine Workers (AFL-CIO)   | Women's Equity Action League                                   |
| International Ladies Garment Workers Union (AFL-CIO)                    |  |
| Movement for Economic Justice   | Women's National Democratic Club                               |
| National Black Media Coalition  | Consumer Advocates   |

In addition, the bill has been endorsed by nearly a hundred businesses including Atlantic Richfield, Gulf and Western, Levi-Straus, Mobil Oil, Stop and Shop, Montgomery Ward, and Stride Rite Shoes.

TIMETABLE FOR LEGISLATIVE ACTION

On April 6, 1977, bipartisan sponsors introduced bills to establish the Agency for Consumer Protection in the House (HR 6805) and the Senate (S 1262). President Carter enthusiastically endorsed these bills and has appointed consumer advocate Esther Peterson as his special assistant for consumer affairs to work with Congress to assure passage of ACP. Senate and House hearings are scheduled for April. Both the Senate and House committees plan to act on the bills quickly and send them to the floor for a vote as soon as possible. It is important to pass the ACP bill by the widest possible margin in order to give the new agency a strong Congressional mandate to represent consumers.

WHAT YOU CAN DO

- Write your Senators and Representatives.
- Send pro-ACP letters to the editors of newspapers in your area.
- Urge businesses in your area to endorse the ACP bill

I SUPPORT PASSAGE OF A BILL TO CREATE AN INDEPENDENT AGENCY FOR CONSUMER PROTECTION.

Address:  
(Your Representative)  
House of Representatives  
Washington, D. C. 20515

I OPPOSE ALL AMENDMENTS WHICH WEAKEN THIS BILL

(Your Senator)  
U.S. Senate  
Washington, D. C. 20510

DON'T PUT THIS FLYER DOWN! Your representatives in Washington must know that you support the ACP. Just check the boxes above, fill in your address and your representatives' address below, fold, stamp, and mail. You'll be telling Congress that consumers need an Agency for Consumer Protection. For further information contact: Consumer Federation of America, 1012 14th Street, N.W., Rm. 901, Washington, D. C. 20005 or Congress Watch, 133 C Street, S.E., Washington, D. C. 20003.