



consumer news and comment

JANUARY 1973

CONSUMER FEDERATION OF AMERICA

WASHINGTON DC

ON RESHAPING GOVT. IN THE PUBLIC INTEREST CONSUMER ASSEMBLY

"The system." That's the target of CONSUMER ASSEMBLY 73, CFA's annual forum on consumer issues.

"This year's program," says CFA Exec. Director Erma Angevine, "concerns some of the most basic, structural defects in our system of government and free enterprise. Consumers know the futility of piecemeal (if any) legislative and regulatory solutions. We must seriously work for substantive reform--for real reorganization of government's priorities and its relationship to corporate America."

Sen. Charles Percy (R-Ill), energetic leader for creation of a strong consumer protection agency, will keynote the 7th annual ASSEMBLY, scheduled for January 24-26 in Washington, DC, at the Statler-Hilton Hotel. Sen. Philip Hart (D-Mich), recipient of CFA's first Distinguished Public Service Award, and the man who sponsored and led the fight for Truth-in-Packaging speaks on corporate power and decision-making. Herbert Denenberg, the aggressive Insurance Commissioner of Pennsylvania, talks on insurance in his continuing expose of insurance fraud.

Over 500 people attend CONSUMER ASSEMBLY. It is the only occasion for leaders of nearly all organized consumer groups across the country to examine consumer issues, talk to and listen to public figures. Business and government representatives join in this discussion of the issues.

"The system" will be probed from national, state and local points of view:

- (1) The ASSEMBLY will confront the so-called energy crisis, anti-trust, class action, national health care, a consumer protection agency.
- (2) Speakers and panels will discuss state consumer issues including credit practices, abuses and corrections; insurance and how to buy it wisely; no-fault and its effectiveness; generic drug labeling; utility payments earmarked for public projects.
- (3) The ASSEMBLY offers battle plans for setting up local action-oriented consumer complaint centers. Successful projects in San Francisco and Washington will illustrate how to organize a center and effective campaigns.

CFA traditionally honors members of Congress with a reception preceding the formal ASSEMBLY program. This year's reception is set for January 24, Rayburn House Office Building. For the two-day conference and reception, cost to consumers and CFA delegates is \$35. Cost to industry representatives is \$100. If you haven't registered, send checks to CFA, 1012 14th St NW, Washington DC 20005.

**MORE DETAILS?
202-737-3737**

CONSUMERS WIN 1st ANTI-TRUST CLASS ACTION

This December more than 33,000 buyers of the drug tetracycline were awarded \$7 million in successful price-fixing claims brought against the drug's manufacturers. Another 7,000 persons will receive checks before spring. This marks the first time that individuals have ever shared directly in the proceeds of an antitrust settlement.

These rebates are the outcome of the first class action suit to be filed in antitrust proceedings. In this case 43 states and 18 local governments claimed that they and their citizens had been overcharged for tetracycline (an antibiotic) purchased between 1954 and 1966. Five of the drug's manufacturers--American Cyanamid, Pfizer, Bristol-Myers, Olin Corp, and Upjohn Co.--were ordered in 1969 to pay an out-of-court settlement of \$82 million, of which \$30 million was to be set aside for individual claimants.

Newspapers across the country carried legal notices instructing consumers how to file claims for rebates, but the ads went generally unnoticed. Even though a last-minute publicity campaign drummed up considerable consumer awareness, less than half the \$30 million fund set aside for individuals was recently claimed. Consumers won rebates as low as a few cents but as high as \$11,000 and averaging \$300. The remainder of the fund will go directly to states for projects benefitting the entire "consumer class."

In reporting the rebates, Business Week magazine has suggested that "more careful planning by consumers could result in even greater bonanzas in the future."

NIXON CUTS REA LOANS

The Administration announced December 29 it would stop all low-cost loans to consumer-owned rural electric and telephone co-ops January 1. Rural Electrification Administration was launched in 1935 to bring light to a countryside dependent on oil lamps. Electric utilities had refused to serve rural America, maintaining it was not economically feasible.

"Both rural and urban consumers will feel the economic pinch resulting from the Administration's canceling of the REA program," says CFA executive director Erma Angevine. "REA's elimination strikes at consumers two ways: It wipes out one of the major elements in the electric rate yardstick that consumers nationwide have depended on, and it cuts electric power capacity just when we are facing an energy shortage."

REA loans money to consumers who organize cooperatives to build and maintain electric systems. The co-ops initiated several money-saving methods of bringing power to the countryside and became a "yardstick" for testing the need for rate increases requested by investor-owned utilities. For the past 38 years, the consumer-owned co-ops have repaid their government loans with interest on time or ahead of schedule.

REA was established by executive order in 1935. Senator George Norris (R-Neb) and Representative Sam Rayburn (D-Tex) co-sponsored the REA Act in 1936 setting the agency up by law. The basic objective of the REA Act was to make possible first-class electric service on a continuing basis to all rural Americans, at reasonable cost. In 1939, the agency was moved to the Agriculture Department. In 1944, Congress established the present loan terms. In 1949, Congress provided for a rural telephone program under the Act.

Each year Congress reviews REA operations during the appropriations process. Last year the Administration impounded REA loan funds voted by Congress.

South Dakota Consumers League saved the state's consumers millions of dollars by opposing North West Bell's request for 2½% increase on its rate of return. The South Dakota Utilities Commission approved 4/10ths of one per cent increase by a 2 to 1 vote. North West Bell's request would have increased its rate of return after taxes from 7 to 9½%.

Three SDCL directors were sworn into public office this month: Kermit Sande is the state's new attorney general, committed to a strong consumer program; Les Lkevin and Harold Millet were elected to the state legislature.

WAGE-PRICE WRITE-IN

Rep. Wright Patman, powerful chairman of the House Banking and Currency Committee, wants CFA's views of the Economic Stabilization Program. The White House is pushing for a quick extension of the present program due to expire April 30, 1973.

Patman is expected to carefully review the program and to recommend that Congress remove all inequities before granting an extension.

Let CFA know your views so they can be incorporated in a response to Patman.

- How well do you think prices have been controlled and the consumer protected under the stabilization program?
- Do you favor an extension of the present law and if so, what structural changes are recommended?

CFA's Policy Resolutions adopted Jan. 29, 1972, should be reviewed. They criticize the wage price program as "a failure, resulting in stringent wage increase restrictions while prices and profits increase virtually without restraint."

Send letters to: Erma Angevine, Executive Director
Consumer Federation of America
1012 14th Street, N.W.
Washington, D. C. 20005

DOUGLAS CENTER... "an appropriate memorial"

Loretta and Christopher Mendenhall honored the memory of James E. Mendenhall, who died of cancer a year ago, with a charter contribution to the Paul H. Douglas Consumer Research Center. In a letter to the Center, Dr. Mendenhall's widow and son said, "The Research Center project would have had his active support had he lived. We feel this enterprise is an appropriate memorial."

Dr. Mendenhall was a pioneer in consumer education, serving as education director of the institute for consumer education at Stephens College, Columbia, Mo., in the 1930's. He retired from Consumers Union in 1969 after 10 years as director of New York City University until his death.

The Center, a tax-exempt research arm of Consumer Federation of America, started with a \$1000 gift from former Illinois Senator Paul H. Douglas. Charter contributors are those giving \$100 or more to the Center.

Legislative update

Some of the most important consumer legislation will be introduced in the first weeks of the new Congress. A consumer protection agency bill should be in the hopper in January. Most observers expect quick approval by the Senate Government Operations Committee and favorable action by the full Senate. The House Government Operations Committee, however, is not expected to consider CPA legislation until the Senate has acted. Two additional bills that failed to survive the previous Congress will get strong support from Senate Commerce Committee members--the no-fault and product warranty bills. Both are high on the agenda of the House Interstate & Foreign Commerce Committee. Rep. Leonor Sullivan (D-Mo) intends to introduce legislation to strengthen the Truth-in-Lending and Fair Credit Reporting Acts pending recommendations of the National Commission on Consumer Finance.

Other major consumer bills up for consideration this session will include: (1) the defect recall authority bill requiring auto manufacturers to pay the full cost of repairing car defects subject to recall action; (2) national health security; (3) national institute of marketing and society to study the effect of product advertising on health and behavior; (4) truth-in-advertising. A wide variety of food packaging and labeling bills will probably be reintroduced but CFA expects little or no consideration pending evaluation of yet-to-be publicized package of interrelated label regulations (on nutrition labeling, special dietary labeling, etc).

WHOEVER HEARD OF CLEAN HAMBURGER MEAT?

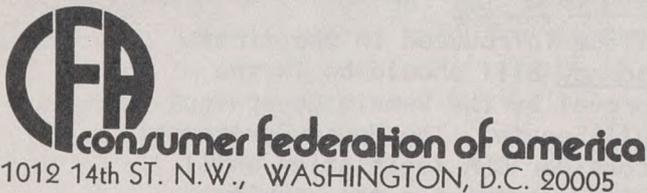
Reports on contamination and adulteration of hamburger meat served in restaurants and sold by supermarkets continue. In a major August 1971 study, Consumer Reports found 73 per cent of Philadelphia's supermarket samples had excessive counts of dangerous coliform bacteria and Los Angeles chains had cases of insect and rodent filth. CFA finds no much has happened since then to improve hamburger safety.

Minneapolis Star reporters found frightening levels of bacteria in hamburger sold in both restaurants, including well-known Burger King and McDonald's, and supermarkets there. They also reported filth and other contaminants such as white paint chips and synthetic fibers.

An unpublished 1972 Baton Rouge, La., laboratory analysis undertaken by a state health agency shows not only human hair and "insect body parts" in samples, but also bacteria counts as high as 120 million per gram. The Consumer Reports study said one to five million bacteria "may cause mild intestinal distress." Coliform counts (which usually indicate fecal contamination and presence of disease-causing organism) were over 1600 times what Consumer Reports considered as a safe level. Burger King and McDonald's showed poorly in the Baton Rouge area also.

Many of these same studies were concerned with the adulteration of ground beef by fat in excess of the already too generous 30% federal limit for hamburger and chopped beef. Consumer Reports found fat as high as 34% in some samples in its Philadelphia survey. A Rochester (NY) Committee for Scientific Information survey reports 36.8% there; Columbus (Ohio) consumer protection inspectors found 40% in a 1972 survey; the Baton Rouge survey reports 35.8%; and a whopping 47.1% was reported by Washington, D.C. health inspectors recently. Although one seventh of 2200 inspections in the District of Columbia in the past two years exceeded the federal maximum, the chief food inspector, Arnold Clark, admits there have been no prosecutions.

So what else is new?



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