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The Powerful Twenty and Old Gas

Consumers will be charged an additional $68.3 billion through 1990 by just the top 20 natural gas producers if old gas is decontrolled in January, 1983, CFA Director of Information Ann Lower told a House subcommittee in July.

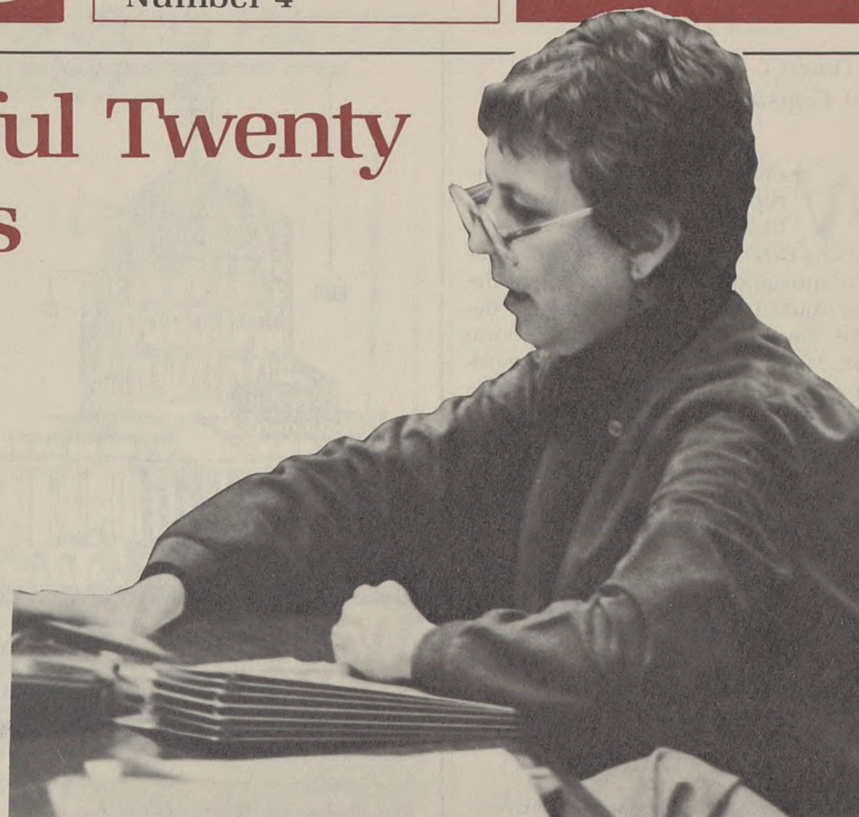
Appearing before the House Subcommittee on Fossil and Synthetic Fuels, Lower presented the findings of a six-month study analyzing the top 20 producers and their sales of old gas to 15 interstate pipelines.

Lower and CFA Energy Consultant Bob Echkardt were lead witnesses at the two-day hearings to examine the impact of natural gas decontrol.

Pennies from Heaven

Old interstate natural gas is scheduled to remain regulated even after 1985 when other categories of gas will be deregulated under Title I of the 1978 Natural Gas Policy Act (NGPA). The Reagan Administration, however, is actively seeking immediate decontrol of old gas through action either by Congress or the Federal Energy Regulatory Commission (FERC).

Even if a phased-in plan of decontrol is adopted, the cost to consumers will be enormous, Lower charged. Consumers will pay $56.9 billion more to the top 20 natural gas producers through a phased-in plan, Lower said, adding that her figures were conservative.



CFA photo by Anne C. Averyt

CFA's energy expert, Ann Lower, presents the findings of her six-month natural gas study at hearings before the House Subcommittee on Fossil and Synthetic Fuels.

The natural gas study, co-authored by CFA Energy Assistant Agnes Tabah, was undertaken, Lower said, "to learn why powerful producer groups have fought so hard to deregulate old interstate gas."

Pumping Profits

The answer becomes very clear, she said, when you look at the "windfall" profits estimates that emerge from the study. "The top five natural gas producers alone," she said, "*each* stand to gain between $4.2 and $5.2 billion through phased-in decontrol, and between $5 and $6.2 billion through total decontrol." The top five producers are Mobil, Exxon, Texaco, Gulf and Shell.

Lower's research also underscores just how large the old gas cushion is and how much is owned by just 20 companies. According to the study, the top 20 producers provide 15 interstate pipelines with 72.3% of old interstate gas, which represents more than 20% of the *total* natural gas production in the United States.

The study also raised the question of why such old gas is going for such a high price. In 18 separate cases, the average rate charged by producers to individual pipelines for old gas ranged from $1.36 to $2.18 per MMBTU, although this is pre-1973 gas which at that time would have sold for approximately 21¢ per MMBTU. The rates were also higher than the $1.04 MMBTU price ceiling allowed by NGPA as of July, 1982.

According to Lower, these cases "raise the question of how much renegotiation is occurring which morally circumvents the NGPA."

Although there is currently no legislation pending in Congress on accelerated decontrol of natural gas, FERC has issued a notice of inquiry on deregulation. This is regarded as the first step toward administrative "back door" decontrol and has met with such strong resistance, that FERC has had to delay twice issuing the notice of inquiry.

Lower's study, "The Powerful Twenty and Old Gas," is available from CFA for $5. A more technical report including detailed tables of the top 20 producers and their sales of old gas to interstate pipelines, is also available. To order, write: Director of Information, CFA, 1314 14th Street NW, Washington, DC 20005. (202) 387-6121.

Estimated Cost Increase to Consumers of 15 Pipeline Company Purchases of Old Gas from Top 20 Producers

Producer Name	NGPA: 1983-1990	Phased-In Decontrol: 1983-1990		Total Decontrol: 1983-1990	
	Estimated Total Cost (Billions)	Estimated Total Cost (Billions)	Estimated Increase in Total Cost (Billions)	Estimated Total Cost (Billions)	Estimated Increase in Total Cost (Billions)
Mobil	3.0	8.2	5.2	9.2	6.2
Exxon	3.0	7.8	4.8	8.8	5.8
Texaco	2.5	7.5	5.0	8.5	6.0
Gulf	1.1	6.8	5.7	8.0	6.9
Shell	2.6	6.8	4.2	7.6	5.0
Tenneco	3.1	6.5	3.4	7.3	4.2
Std. of Indiana	1.9	5.8	3.9	6.6	4.7
Std. of California	2.0	5.1	3.1	5.8	3.8
Phillips	1.0	4.1	3.1	4.7	3.7
Atlantic Richfield	1.0	3.7	2.7	4.2	3.2
Getty	1.2	3.6	2.4	4.0	2.8
Cities Service	0.9	3.5	2.6	4.0	3.1
Union	1.1	3.0	1.9	3.4	2.3
Superior	1.0	2.9	1.9	3.3	2.3
Sun	1.0	2.7	1.7	3.0	2.0
El Paso	0.9	2.6	1.7	3.0	2.1
Conoco	0.7	2.1	1.4	1.7	1.1
Pennzoil	0.6	1.5	0.9	1.7	1.1
Marathon	0.5	1.2	0.7	1.3	0.8
Columbia	0.4	0.9	0.5	1.0	0.6
Total	29.5	86.4	56.9	97.8	68.3

The Consumer Stake In Product Liability Law

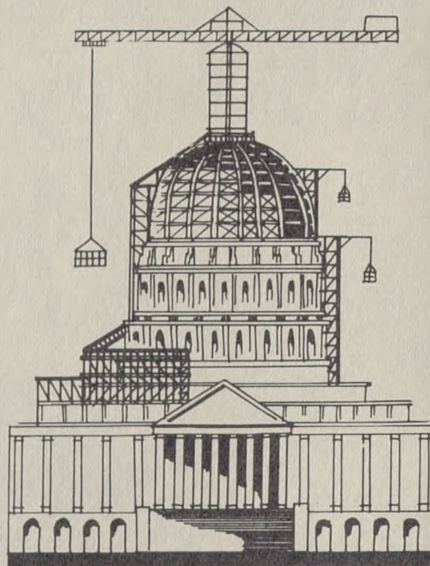
by David I. Greenberg, CFA Legislative Director

Women whose children are irreparably harmed by drugs like thalidomide and DES, workers exposed to asbestos and other toxic substances, and auto accident victims injured as a result of faulty car designs have one crucial thing in common. More than ever, they are dependent on product liability laws to ensure they receive some measure of compensation for their injuries. Unfortunately, these state laws are under attack in Washington by a sophisticated and well-financed lobbying campaign backed by manufacturers and insurers. The goal of that campaign is simple: to wipe out the state laws that have governed product liability suits for the last 150 years and to substitute a federal product liability code more to their liking.

Bad Timing

While the specific legislative proposals are themselves quite troubling, the *timing* of this industry effort is particularly bad. Product liability laws do not stand in their traditional role as the last-ditch alternative. After all, we would all prefer to stop injuries before they occur through strong government standards, rigorous enforcement of existing laws and adequate provision of information regarding proper use of products. At least that has always seemed the most sensible approach.

Right now, however, the federal effort to support preventive product safety is clearly weakening: the Consumer Product Safety Commission is operating with a slashed budget, government agencies are reducing their efforts to provide information about product hazards (witness FDA's decision to drop the patient package insert program), and health and safety regulations are being weakened, postponed, and eliminated. Even the Federal Trade Commission's ability to police many forms of product advertising is under serious assault.



WASHINGTON PERSPECTIVE

Product liability laws have never been—and cannot be allowed to become—a device used by manufacturers to evade responsibility.

Victims' Only Hope

In this context, product liability laws may well emerge as victims' only hope to ensure that products are made safely and that when they are not, just and swift compensation is available.

The coming legislative battle over the proposed federal product liability code takes on critical importance when we examine it in this light. The initial staging area for this battle will be in the Senate Consumer Subcommittee chaired by Senator Bob Kasten (R-WI). Kasten's staff has taken the proposed code through two drafts in an attempt to broker a broad consensus between industry and Congressman Henry Waxman (D-CA), the key actor in the House of Representatives, and a strong champion of consumer rights.

Jumping Through Legal Hoops

While the legislation deals with an extremely complex set of laws, it is nevertheless useful to look at a product liability lawsuit as a series of hoops through which an injured plaintiff and a defending manufacturer must jump. To this point, policy discussions have focused almost exclusively on provisions that would shrink these hoops for victims while at the same time enlarging them for producers. That result is not surprising, since manufacturers and insurers—not victims—have initiated the product liability debate.

In broad brush strokes, the proposals would change current law in five major ways. First the legislation would erect several absolute bars to plaintiffs suits. The DES litigation, for example, would be impossible for victims to prosecute. Second, the legislation weakens the legal standard in many states that governs manufacturers' liability for faulty product design. Third, it raises the amount of proof that plaintiffs must offer, and limits the utility of certain evidence. Fourth, the legislation expands the ways in which defendants can avoid liability even if plaintiffs prove that a dangerous product caused them serious injury. Finally, the draft proposals restrict the amount of damages that plaintiffs can recover in certain cases.

Strong Opposition

The context and substance of this push for a manufacturers' product liability code at the national level, have combined to elicit strong opposition from consumer groups, women's organizations, labor unions and trial lawyers. These groups will be working to underscore the consumer stake in product liability laws and to put the focus back where it belongs: on product safety.

Product liability laws have never been—and cannot be allowed to become—a device used by manufacturers to evade responsibility.

Consumer Education Coalition Expands Network

Although the Coalition for Consumer Education is only a year old, it has built an effective network of state organizations that are already seeing results in their efforts to promote consumer education and to obtain funding to keep such programs alive.

The Washington-based Coalition, headed by Executive Director Judy Cohart, coordinates national activities for the state groups, and maintains an active informational and support network that enables the state groups to share ideas and resources.

At the national level, Cohart testified before both the House and Senate Education Subcommittees this spring on the effects of block grant legislation on consumer education programs. The Reagan Administration is seeking to transfer the $29 milion budget for consumer and homemaking education into state-administered block grants, a move that Cohart charges will have disasterous effects on consumer education. The legislation, according to Cohart, will "force programs that previously had categorical money to compete with each other for fewer available funds."

At the state level, Coalition groups are already developing means for soliciting funds for existing and future consumer ed programs. Some groups are seeking to ensure a fair share of block grant funds, while others are pursuing alternative funding.

The Pennsylvania Coalition has put together a report on block grant programs to be administered by its state, while the Colorado Coalition is soliciting support for block grant funds from school board members in districts throughout the state.

In Connecticut, the Coalition has received funding from the State Department of Education, and in Oklahoma the Coalition is hoping to secure $300,000 in funding from the state legislature.

Several CFA member groups are involved in the state Coalition efforts. Al Luzi, Director of the Milwaukee Concerned Consumers League is state Coalition coordinator for Wisconsin, and Craig Salins, Educational Director of the Seattle Consumers Action Network, is state coordinator for Washington Coalition which is planning a statewide consumer ed conference and researching the effects of the block grant program in their state. Jay Seaton, Board member of three CFA member groups, is state co-coordinator for the Ohio Coalition which has targeted 55 local education agencies to fund consumer ed programs in local schools.

According to Cohart, the activities of the state groups are as diverse as the groups themselves. In Kentucky, supporters have saved a state consumer education mandate; Kansas is preparing to publish its own state consumer education newsletter, and in Delaware the Coalition has arranged for public service announcements on radio and short public television appearances to garner support for consumer education.

The Coalition was founded last year by CFA's Director of Governmental Affairs Jim Boyle. Boyle, who has since returned to Texas, now serves on the Coalition's Board of Directors and Executive Committee, as does CFA Executive Director Stephen Brobeck.

The Coalition for Consumer Education has groups in all 50 states. If you wish to receive the Coalition's quarterly newsletter, *The Coalition Exchange*, or want to be put in touch with your state coordinator, contact: Judy Cohart, Executive Director, Coalition for Consumer Education, 1314 14th St. NW, Washington, D.C. 20005.

CFAnews

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Vultures Hoover Over FTC

by Mark Silbergeld, Director, Washington Office, Consumers Union

At the end of May, Congress vetoed the Federal Trade Commission's used car rule in response to a heavy lobbying campaign by used car dealers. Now, other vultures are in line to pick at the FTC's rapidly shrivelling carcass. Wending their way through the Congress are bills needed to renew FTC's authority to operate beginning October 1, 1982. That legislation threatens to become a Christmas tree for special interests not yet satisfied with the serious case of lockjaw Congress has visited upon the agency.

Creating a Caste System

The Senate Commerce Committee has voted to exempt from FTC antitrust jurisdiction those professionals who are regulated by the states—including lawyers, vendors of eye care and optometrical goods and, especially, doctors. At present, the FTC can use its antitrust power to look into how doctors limit competition from non-physician professionals such as nurse-midwives and psychologists. This angers the American Medical Association, the primary organization behind this proposed exemption.

An exemption for the professions would create a caste system in federal trade regulation. Most "professionals" hold professional or graduate school degrees, or other highly specialized training, and enjoy relatively high incomes. If Congress tries to avoid the charge of having created such a system by failing to define "profession" tightly, on the other hand, then every trade will seek regulation by a state licensing board in order to obtain exemption from FTC antitrust scrutiny.

Special Treatment For Special Interests

The Committee also has voted to prevent FTC from using its power against unfair practices through the rulemaking process. This could eliminate the agency's power to improve the health warnings in cigarette advertising. The tobacco companies and their advertising firms have pushed hard for this special treatment.

Lurking in the background is the possibility that the Senate will be asked to aid and obtain the advertising industry effort to toss a monkeywrench in the Commission's most basic power, which is to prohibit deceptive acts and practices. This would be the result of the industry's proposal to limit by law those deceptions the FTC could regulate, though firms that practice deception by means other than advertising (oral representations and deceptive labeling, for instance) would not enjoy the same special treatment.

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Some Members of Congress who voted to kill the used car rule are feeling the heat from press coverage back home. They may be convinced to stop thrashing the FTC by letters showing that their constituents understand the role special interests and industry Political Action Committees play in these specific Congressional attacks on FTC's powers. And letters from readers to the editors of local newspapers about this subject would help increase consumer awareness and, hence, citizen communication to Congress about these crucial issues.

Legislative Focus:

Federal Loansharking Bill Looms In Congress

As this issue goes to press, the Senate Banking Committee is still considering legislation to assist the savings and loan industry. Chairman Jake Garn (R-UT) has stated time and again that such legislation must be combined with so-called structural banking deregulation. Those words should send a shiver down the spines of all potential consumer borrowers, because where the words banking deregulation are chanted, the words usury preemption cannot be far behind.

Of the many proposals that have stalled Garn's banking reforms for months, usury preemption is not among them. All lenders would like freedom from state usury limits and the other consumer protections that would be destroyed by federal preemption legislation. So whatever the current talk is on the Hill, consumer leaders must continue to press hard to save state usury ceilings.

> *Where "banking deregulation" is chanted, the words "usury preemption can't be far behind.*

While lenders may be lined up solidly in opposition to state interest rate limits, fair usury laws have one tremendous asset: the imminence of November's election. Consumers must show that they are concerned and informed by pressuring their Senators to prevent a federal loansharking bill.

—*David Greenberg*

Brobeck Urges National Energy Policy

CFAnews photo by Anne C. Averyt

Executive Director Stephen Brobeck testifies on rural energy needs before Senator Mark Andrews' Senate Agricultural Subcommittee on Rural Development, Oversight and Investigations. Brobeck stressed the importance of a national energy policy that would continue existing controls on natural gas prices, assure the viability of rural electric cooperatives, promote conservation in rural homes and farms, and create an allocation mechanism available for use during supply disruptions.

High Interest Rates Threaten Economic Depression

A second study prepared by CFA Executive Director Stephen Brobeck for the National Council for Low Interest Rates explains how high interest rates are blocking economic recovery and threatening depression.

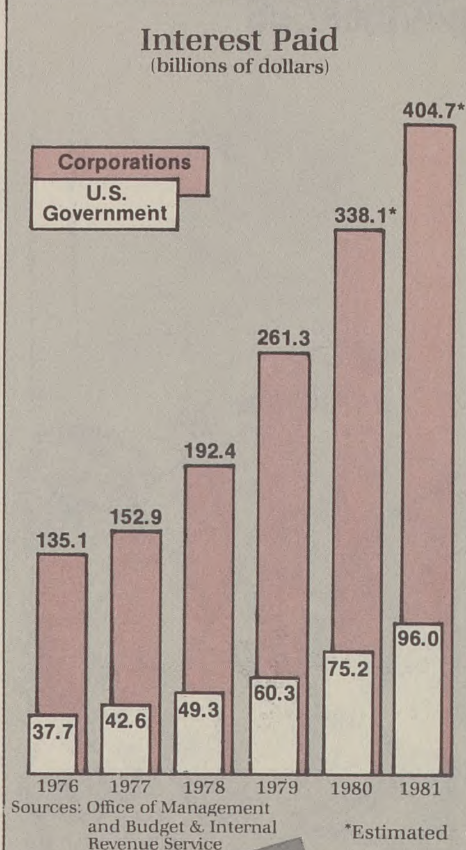
High rates have resulted in a massive transfer of capital from non-financial businesses and the U.S. government to wealthy individuals. This transfer is making capital less available for the modernization of industrial plant and equipment, and for the rebuilding of urban infrastructures.

Vicious Cycle

High interest rates have also begun, feeding on themselves. Like many Third World countries, corporations and the federal government are increasingly borrowing money simply to meet their debt obligations. This demand for credit places upward pressure on rates.

Interest payments made by business and the federal government have increased tremendously in the past several years—doubling between 1978 and 1981 and nearly tripling between 1976 and 1981. (See chart.)

The rise in interest paid by the U.S. government between 1980 and 1981 was more than half the much-publicized cuts in FY 81 social programs, while the increase in corporate interest payments in the same period was more than one-third as large as total corporate capital expenditures in 1980.



Sources: Office of Management and Budget & Internal Revenue Service

*Estimated

Budget Drain

These payments have imposed an enormous drain on federal and corporate budgets. The proportion of U.S. revenues representing interest paid rose from 12.0% in 1977 to 16.0% in 1981. In 1980 and 1981, interest payments were roughly the same size as all U.S. borrowing. Thus, a sharp drop in interest rates would greatly diminish the government's demand for credit, thereby lowering rates.

Corporations receive interest as well as paying it, but their net interest obligations have recently grown at an even more rapid rate than their total interest payments. Between 1976 and 1981, the monetary portion of net interest paid by business (and foreigners) rose 200%—from $40.4 to $121.0 billion.

Some industries have suffered more than others. The biggest losers have been savings associations, farmers, public utilities, the construction industry, and auto companies. In 1981, for example, because of their low return on mortgage loans and rapidly rising interest obligations on new financial instruments, saving associations lost more than $6 billion. Interest payments by farmers have risen so rapidly that last year they nearly equalled net income.

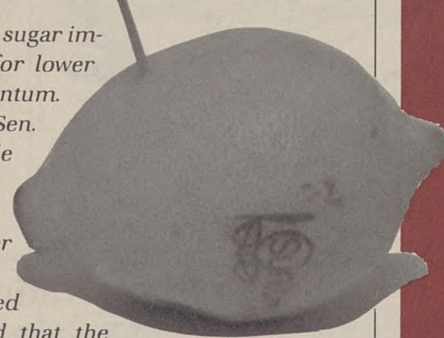
Rich Get Richer

Wealthy individuals gained the most from rising rates. Between 1979 and 1981, personal interest income rose 47.2%—from $209.6 to $308.6 billion. In 1980, the top 1.1% took 12.9% of reported interest income; the top 6.5% income group, 30.1%; and the top 22.2% income group, more than half. These percentages all increased significantly between 1976 and 1980.

Most companies with burdensome interest obligations increased their short-term debt, often at a floating rate, in the past several years. Then, as the prime rose from 9.1% in 1978 to 18.9% in 1981, these businesses were forced to borrow just to make escalating debt payments. Faced with huge loan write-offs, banks are currently carrying several large companies in the hope rates will ease soon. If high rates persist, and most experts are predicting that they will, a tidal wave of bankruptcies could bring on a depression by overwhelming related banking and nonfinancial businesses.

Copies of this study are available for $3 each or $1 for individuals and non-profit groups (free to CFA member groups). Write CFA, 1314 14th St. NW, Washington, DC 20005.

Opposition to Sugar Quotas Mounts



Since the Administration imposed sugar import quotas in May, the campaign for lower support price levels has gained momentum. Leading this movement have been Sen. Paul Tsongas (D-MA), Sen. Dan Quayle (R-IN), Rep. Peter Peyser (D-NY), and a coalition of corporate users and consumer groups including the Consumer Federation for America.

"The Administration felt compelled to impose quotas because it feared that the Treasury would be forced to cover losses from the sale of sugar forfeited by producers," explained CFA Executive Director Stephen Brobeck. "This apprehension arose because of a combination of low world prices and high support price levels, which were passed by Congress late last year with the blessing of the White House."

Already the government has driven up domestic sugar prices by imposing duties and fees totalling about 7¢ per pound, at a cost to consumers of roughly $2 billion annually. The quotas are estimated to cost consumers an additional $1 billion in higher prices during the coming year.

The lion's share of all government subsidies are received by large corporations that are highly profitable and would remain so without the support price program. The Department of Agriculture estimates that 22 firms will receive an average of $13.6 million each in FY 82 subsidies. Domestic sugar production is highly concentrated with six large companies accounting for 39% of output, according to a May 1981 GAO report.

Shortly after the Administration announced plans for quotas, Sens. Tsongas and Quayle and Rep. Peyser introduced bills that would eliminate the sugar price support program entirely. More recently, Quayle and Tsongas introduced a new amendment that would bring down the support price level by 3$ in the coming year. As of mid-August, this amendment was supported by more than 40 Senators, and a close floor battle appears likely in September.

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