

Consumer Leaders Speak Out On Rising Phone Rates

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CFA's Consumer Assembly '84 will focus on "Election Issues and Priorities." Now is the time to register page 3

Calling the Federal Communications Commission (FCC) access charge "an unjust proposal that will benefit few at the expense of many," consumer leaders from across the country held a Capitol Hill press conference on December 9 to urge Senate passage of S 1660, the Universal Telephone Preservation Act of 1983 sponsored by Senator Bob Packwood (R-OR).

Representatives of eight local consumer groups belonging to CFA, joined CFA's Glenn Nishimura and Consumers Union's Bob Nichols to discuss rising phone rates in their states, and to urge passage of federal legislation.

Waging War

"Consumers from coast-to-coast are outraged at the inequity of the FCC access charge," said Nishimura. "Although local consumer leaders and public advocates are waging war against billions of dollars in proposed phone rate increases at their own state Public Service Commissions, they understand that this fight is only half the battle. Congressional legislation is essential to prevent automatic escalation of telephone rates across the country."

Pointing out that the FCC decision alone will add \$771 million per year to local phone bills in California by 1990,



CFA Legislative Representative Glenn Nishimura calls for Federal legislation to reverse the FCC's decision on access charges at a Capitol Hill press conference attended by (left to right): Joe Tuchinsky, Executive Director, Michigan Citizens Lobby; Bill Winn, North Carolina Consumers Council; Nell Weekley, Executive Director, Louisiana Consumers League; Fred Goldberg, Maryland Citizens Consumer Council; Tom Ryan, President, MoPIRG; Ken McEldowney, Director, San Francisco Consumer Action; Helen Savage, Virginia Citizens Consumer Council; Al Luzi, Executive Director, Concerned Consumers League (WI); and Bob Nichols, Consumers Union.

Ken McEldowney, Director of San Francisco Consumer Action, characterized the FCC decision as a "massive transfer of wealth from residential consumers to large long-distance users, unfairly jeopardizing universal telephone service in this country."

Battle Plan Adopted

Fred Goldberg, President of Maryland Citizens Consumer Council, outlined a program to be conducted by CFA member groups to gain enactment of telephone legislation and address other telephone issues. The groups will seek to:

- Challenge the myth that long distance rates subsidize local rates;
- Meet with lawmakers in their home districts over the recess;
- Educate the public and press on the real financial impact of the access charge;
- Prohibit intrastate access charges for residential customers.

Speaking on the first point of the program, Tom Ryan, Executive Director of Missouri Public Interest Research Group, charged that AT&T is engaged in misleading and deceptive advertising. "Judge Harold Greene, the Justice Department, and various state Commissions have all asserted that AT&T has not proven that a subsidy from long distance to local rates does in fact exist.

The truth may be the exact opposite," said Ryan.

Other consumer leaders participating in the press conference were Al Luzi, Executive Director of the Concerned Consumers League (Wisconsin); William Winn, Board Member of the North Carolina Consumers Council; Nell Weekley, President of Louisiana Consumers League; Joe Tuchinsky, Executive Director of Michigan Citizens Lobby; and Helen Savage, President of Virginia Citizens Consumer Council.

Senate Action Needed

The press conference was held in the Senate Office Building because the focus of legislation has switched to the Senate following a recent House vote to adopt a comprehensive telephone bill. The House bill prohibits the FCC access charge, establishes a universal service fund to assist high-cost areas and low-income consumers, and provides for public participation in regulatory hearings.

The key vote in the House came on a motion to amend offered by Representative Tom Tauke (R-IA). By a margin of 142-264, supporters of the legislation defeated the weakening amendment.

Meanwhile, Senator Packwood (R-OR) has received assurances from the leadership that S 1660 will be one of the top two items on the agenda when the Senate reconvenes on January 23.

Outlook Unclear On Natural Gas Decontrol

While neither the House nor the Senate has taken final action on natural gas legislation, significant developments occurred in the closing weeks of the last session of Congress.

Senate Stalemate

In mid-November, consumers gained a major victory when Administration efforts to decontrol natural gas prices suffered a crushing defeat in the Senate by a 26-78 vote. The vote came on a motion by Senator James McClure (R-ID) to adopt all the major provisions of S 1715, which would essentially remove all price controls on gas over a 44 month period.

Indicating the deep division and lack of consensus on the issue, the Senate also turned back the pro-consumer amendment to S 1715 offered by Senator Nancy Kassebaum (R-KS). By a 26-71 vote, the Senate rejected the Kasse-

baum motion, which would have retained price controls on old gas and rolled back prices on other gas.

House Committee Stalled

In the House Energy Committee, Democrats from gas-producing states teamed up with Republicans to block

"Congress needs to hear that natural gas decontrol is unacceptable..."

passage of a measure to roll back gas prices and extend controls over certain categories of gas. The proposal, introduced by Representative Thomas

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Conference Addresses Electric Utility Issues

In October, the Consumer Federation of America and the Edison Electric Institute co-sponsored a conference that addressed such common concerns as low income energy needs and citizen participation. The two-day meeting, held in Washington, D.C., was attended by some 40 leaders of CFA-member groups and 100 electric utility representatives.

Agreeing to disagree on issues like Construction Work in Progress, conference attendees concentrated on topics such as load management, conservation, low-income weatherization, and citizen participation, where the interests of utilities and consumers often overlap.

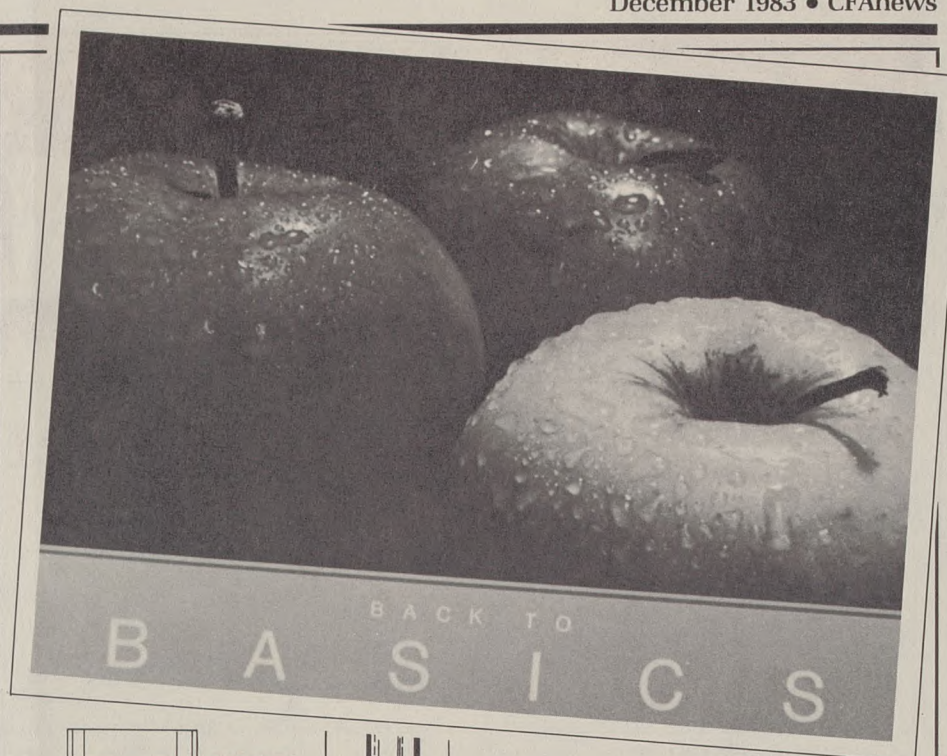
In a session on low-income problems, for instance, moderator Ken McEldowney, Director of San Francisco

Consumer Action, commended Baltimore Gas & Electric's customer programs. Tom Ryan, President of Missouri PIRG, stressed the importance of landlord accountability. "Why should our utilities and the public be donating money to heat leaky houses?" he asked. "Let's put some of the burden on the landlords."

A second area where some agreement emerged was the need for citizen participation in utility planning before issues are brought to public service commissions. Keynote speakers Steve Ferrey, Energy Director of the National Consumer Law Center, and John Stevens, Vice President of Boston Edison, both urged experimentation in this area. In a workshop, Ferrey described the Massachusetts State Energy Agency, a task-force of utility, con-



Michigan Citizens Lobby Executive Director Joe Tuchinsky comments from the floor at the CFA-EEI conference. Among other state and local leaders attending the conference were (clockwise from lower left): Phyllis Rowe, Arizona Consumers Council; Jane Sharp and Bill Winn, North Carolina Consumers Council; and, members of the Michigan Citizens Lobby.



BACK TO BASICS: Public Voice; \$4.50; Suite 519, 1001 Connecticut Avenue, N.W., Washington, D.C. 20036. (Discount prices available for bulk orders.)

"Back to Basics: Ten Natural Steps Toward Healthier Eating" is a 17" x 22" multicolored glossy poster that suggests 10 down-to-earth ways consumers can minimize food safety hazards in their daily diet and explains why the tips mean healthier meals. According to Ellen Haas, Executive Director of Public Voice: "Consumers have begun to recognize the dangers in our food supply. This poster continues the education process while telling people what they can do about the problems." The poster is educational. It is also attractive and colorful.

CFA Urges Evaluation of Formaldehyde Remedies

In response to growing confusion over the new products appearing on the market which claim to reduce formaldehyde fumes, the Consumer Federation of America has urged the U.S. Consumer Product Safety Commission to evaluate products and make the information available to the public.

In letters to CPSC Chairman Nancy Steorts and other Commissioners, CFA's Product Safety Director Anne C. Averyt summarized the problem: "The question most asked by people who contact our office with a formaldehyde problem is, what can I do to reduce the level of off-gassing? It is difficult for us to assess the merits of products now on the market. For most consumers the dilemma is even greater, and they have nowhere to turn for assistance."

CFA asked the Commission to evaluate products and techniques and draw up a list of recommended steps a consumer can take to reduce fumes from a newly-paneled den, newly-installed kitchen cabinets or a UFFI-insulated home.

In a related step, CFA also urged the Commission to establish "safe" levels of formaldehyde emissions in American homes. According to Commission officials, UFFI "gasses off" very quickly at first and then very slowly. The majority of UFFI homes after one year, according to the same officials, have levels of formaldehyde below the 0.1 ppm level considered by scientific and international groups to be the most rigid standard of safety.

"We at CFA strongly supported the Commission's ban of UFFI in order to protect consumers who might install the foam in their homes and suffer adverse health effects as a result," said Averyt.

"But consumers who put the insulation in their homes during the past 10 years, many with tax credits from the U.S. government, should not now be penalized when they try to sell their homes, if no problem exists."

Very little urea-formaldehyde foam insulation has been installed in the past two years, and, according to Averyt, "most homes which installed the foam three or four years ago, now have lower levels of off-gassing than brand new conventional homes filled with pressed wood."

An established national safety level for formaldehyde off-gassing would not only protect UFFI homeowners who now suffer considerable economic loss when they try to sell their homes, said Averyt, but would also set up a standard for conventional homes as well.

The Commission is currently reviewing the CFA proposals, although no formal program to redress the problems has yet been adopted.

CFAnews



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sumer, and commercial-industrial representatives that designed a least-cost strategy for Massachusetts.

Disagreement between utilities and advocates was strongest in the general sessions. Keynote speaker Joe Tuchinsky, Executive Director of the Michigan Citizens Lobby, expressed skepticism that the utilities in his state would make a serious commitment to conservation because of large reserve capacities and the dependence of revenues on electricity sales. There were also differences of opinion expressed about the value of intervenor funding and citizen utility boards.

Despite the disagreement, all attendees completing evaluation forms agreed the conference had been beneficial to them. Advocates indicated they had learned a great deal about utility issues and model programs in the sessions.

CFA Product Safety Encyclopedia Released



CFAnews photo by Glenn Nishimura

Stephen Brobeck, CFA Executive Director and co-author of the Product Safety Book, addresses a Washington press conference announcing publication of the book. Also addressing the press conference were (seated, right to left): FTC Commissioner Michael Pertschuk; CPSC Chairman Nancy Harvey Steorts; NHTSA Administrator Diane Steed; and, co-author Anne Averyt, CFA's Product Safety Director.

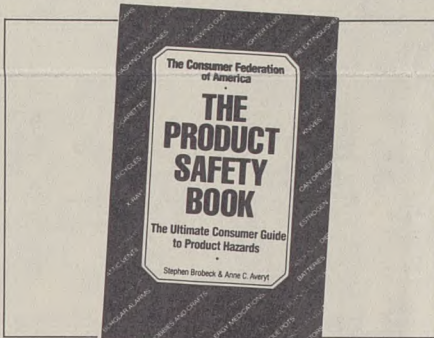
At a December Washington, D.C. press conference attended by three regulatory heads, Consumer Federation of America Executive Director Stephen Brobeck and Product Safety Director Anne Averyt released CFA's new 441-page encyclopedia of consumer product safety, *The Product Safety Book*.

Consumer Product Safety Commission Chairman Nancy Harvey Steorts, National Highway Traffic Safety Administration Administrator Diane Steed, and Federal Trade Commission Commissioner Mike Pertschuk joined Brobeck and Averyt in announcing the publication. Brobeck told the press conference that *The Product Safety Book* is "the first and only comprehensive information source on consumer product safety, which identifies potential hazards in products ranging from Rolls Royces to reserpine to refrigerators; from mobile homes to matches to the Mayo Diet."

The participation of the regulatory leaders at the press conference was especially appropriate because their agencies and the U.S. Food and Drug Administration had made available their publications and files as information sources. "Roughly two-thirds of our information was drawn from gov-

structures, household chemicals, yard, shop, and sports equipment, prescription and over-the-counter drugs, foods, food additives, cosmetics, toxic substances, and medical devices.

Brobeck noted that both authors and editor Jack Gillis had, at an early stage, dismissed titles like "Products that Kill and Maim" as too negative. "The principal purpose of the book is to give consumers information they can use to avoid unsafe products and to use



necessary, but potentially hazardous products, safely," he said. "This is why, for many products, precautions as well as hazards and potentially unsafe models are listed."

Averyt added that *The Product Safety Book* is also intended as a stimulus to manufacturers and retailers to

CWIP Legislation Voted Out of House Committee

Stalled in the House Rules Committee for most of the fall HR 555, the Construction Work in Progress Policy Act of 1983, was voted out of the Rules Committee in November. It was placed on the calendar to await House action when Congress returns in late January.

HR 555 would alter a Federal Energy Regulatory Commission (FERC) rule that permits utilities to automatically pass on to wholesale customers 50 percent of the cost of financing the construction of new power plants.

"Along with natural gas decontrol, CWIP is among the most important consumer energy issues facing this Congress," said Glenn Nishimura, Legislative Representative for Consumer Federation of America. "Left unchanged, the FERC ruling will spell higher electric rates for consumers, and force rate payers to take the risk for building power plants which may never be finished."

Seven utilities have already filed for "relief" under the July 1, 1983 FERC decision in amounts ranging from over \$450 thousand to \$50 million. More filings are expected in 1984.

Though the opponents of HR 555 argue that only wholesale rates are involved, the future implications are

clear. "Electric utilities are setting up separate generating subsidiaries so that they can sell power to themselves and include CWIP," said Nishimura. "CWIP rates then get passed on to ratepayers. The FERC ruling is also being used to encourage state commissions to allow CWIP in retail rates."

Supporters of HR 555 argue that CWIP has always been regarded as extraordinary rate relief and should remain so. Citing an Energy Information Administration estimate that over the last 8 years, \$10 billion was spent on constructing plants that were later terminated, supporters believe there is ample evidence that under CWIP utilities could continue to overbuild.

HR 555 will be the major target of electric utility companies during the next session of Congress. These IOU's are expected to put heavy pressure on House members to bury the bill.

On the Senate side, a companion measure (S 1069) has been introduced by Senator John Chafee (R-RI). CFA and other members of the anti-CWIP coalition, led by American Public Power Association, are seeking co-sponsors and angling for Committee hearings in early 1984.

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Luken (D-OH) and supported by committee chairman John Dingell (D-MI), was defeated by a narrow 19-23 margin.

Chairman Dingell, a strong advocate of pro-consumer national gas legislation, promised to resume committee work on this issue when Congress returns next year. But, if the coalition of Republicans and producing-states Democrats in the Committee holds together, Dingell will be reluctant to allow any significant movement of the bill.

"Congress needs to hear that natural gas decontrol is unacceptable and that prices must be rolled back," said Glenn Nishimura, CFA Legislative Representative. "So-called compromise measures that would decontrol some categories of old gas is actually decontrol through the back door. Congress and consumers must not be fooled by this strategy."

Outlook Unclear

Upon their return in late January, Congress will be faced with competing pressure on natural gas decontrol. Industry will continue to demand redefinitions of gas categories in order to slowly chip away at existing controls. Consumers, noting high natural gas bills during a period of ample supply, will renew their protests, calling for price rollbacks. Anticipated increases of gas heating costs over the winter of 15 percent will help fuel their fervor.

But, perhaps the most compelling pressure will be to do nothing. Congress has traditionally avoided controversial issues during election years. Unless the debate over natural gas evolves into a partisan issue with election year benefits, Congress may decide to let it simmer on the back burner.

TOP TEN HIDDEN CONSUMER HAZARDS

Diet Pills
Formaldehyde
Plants
Mobile Homes
Saccharin

Wood Stoves & Kerosene Heaters
Hot Dogs & Lunch Meats
Television Sets
Aluminum Wiring
Douches

ernment sources," said Averyt, "and most of the rest came from *Consumer Reports*, which Consumers Union generously allowed us to use."

Soup to Nuts

The publication contains 700 entries and 500 cross-references which together identify 2,000 potentially hazardous models. Products listed include automobiles, recreational vehicles, appliances, household furnishings and

produce and sell safer consumer products. No rational business wants to be identified with products containing avoidable hazards."

The encyclopedia also describes related Federal and voluntary standards, and lists additional information sources including Federal agency hotline numbers.

The Product Safety Book may be purchased from the CFA office for \$9.95, which includes postage and handling.

Consumer Assembly 1984

"Election Year Issues and Priorities"

February 16-17, 1984

Capital Hilton, Washington, D.C.

Register Now!

Contact: Karen Eppsteiner, CFA, (202) 387-6121

CFA Calls for Limits on Check Holds

Reprinted from the DETROIT FREE PRESS

By Stephen Brobeck, CFA Executive Director

Have you ever suffered the embarrassment, inconvenience and expense of "bouncing" a check because funds deposited by check were not made available to you for 5 to 15 days? If so, according to a 1983 Federal Reserve survey, you are among an estimated 5 million Americans, and tens of thousands of Detroit-area consumers, who have had "delayed availability" problems.

Typically, these consumers deposited their paycheck in their checking account, then a day or two later, thinking the funds were available for their use, wrote a check which failed to clear. As well as having to explain the situation to the check payee and make the check good, the checkwriters were assessed a "returned check" penalty of \$5 to \$20. When deposited checks were written on out-of-state banks, the availability of funds sometimes was delayed for more than two weeks and, in one recorded instance, for 35 days.

Many banks claim that this delay is necessary to prevent losses on returned checks and to discourage check "kiting" and related fraud. This argument is debatable. The Federal Reserve has found that only one percent of all deposited checks are returned because of insufficient funds. Moreover, the total sums involved are not large, probably under \$10 million a year, a miniscule fraction of bank funds transferred, or even of bank profits.

Furthermore, banks could drastically reduce the size of this loss by instituting selective check holding policies that do not penalize most of their customers. Some have. These policies include holding the funds only of those customers with a history of depositing returned checks while promptly releasing the funds of those customers with good financial histories or with saving deposits sufficient to cover returned checks.

Why don't most banks do so? There is a simple reason. The longer banks delay making your funds available, the more additional interest they earn. Banks receiving deposited checks usually obtain provisional credit within a day on local checks, within two days on out-of-state checks. From this time until the funds are made available, they can boost revenues by investing the funds. If the funds happen to lie in interest-free checking accounts, then the depositors are effectively making no-interest loans to banks. In the course of a year, banks can realize hundreds of millions of dollars in additional income.

What can be done to correct this problem? Two solutions have been proposed and, in several states, implemented. The first is to require banks to prominently disclose hold policies when customers open an account and make deposits.

A second solution is to limit hold periods, say, to two business days on local checks, to three business days on in-state checks, and to four business days on out-of-state checks. Such a requirement would expose many banks to small losses on returned checks that were never made good. But this is because most banks employ antiquated methods of returning bounced checks to institutions where the check was first deposited. These methods involve sending checks by mail through each institution they passed on the forward trip from depositor to payee bank, and at each of these institutions, processing the checks manually.

This contrasts sharply with the high speed, highly automated methods of moving checks from depositor to payee banks, which include machine reading of magnetic routing and transit numbers, and the use of special land and air couriers. Why the difference? Banks have every incentive to receive the funds on their deposited checks but much less interest in making the funds available when they can be profitably invested instead.

Limiting hold periods would encourage banks to implement speedier methods of returning checks. These involve the use of machine-readable characters in bank endorsements and the sending of returned checks directly from the payee to the depositor bank.

A number of far-sighted banks have chosen to reduce and disclose hold periods. The American Banking Association, the major trade association for banks, has recommended voluntary disclosure. Yet these enlightened policies and proposals are insufficient, for they will never succeed in persuading all banks to abandon voluntarily the profitable practice of investing "held" deposits.

What is needed is federal legislation to curb this practice. Such legislation is currently being considered by a Senate Banking Subcommittee. Introduced by Senator Thomas Dodd of Connecticut, S 573 would require disclosure of hold periods and require improvement in the check-clearing process. Although the Consumer Federation of America would like the bill to also limit hold periods, we strongly support the legislation.

Since a federal check holding law may never be enacted, states should consider legislation. To ensure that this issue is adequately considered by the Michigan state government, you should communicate your concerns to Governor Blanchard and to your state senator and representative.

CFA Organizes Consensus Conference On Product Liability

The fierce debate between consumer groups and business over the future of product liability law has taken place in Congressional hearing rooms and on the sets of "The MacNeil-Lehrer Report" and "Today Show." Rarely, if ever, have representatives of all interested groups—including unions, trial lawyers, environmental groups, academics and Hill staff—sat down to search for areas of agreement.

CFA's January 12 symposium—"PRODUCT LIABILITY: Taking on the Tough Issues"—will provide the first opportunity for such a discussion. The conference will be held at the Capital Hilton in Washington, D.C. and will feature leading experts and advocates as speakers and key congressional staff as reactors.

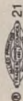
"It's critically important for there to be more communication between the two sides on product liability," said CFA Legislative Director David Greenberg. "While we disagree with business on the Kasten bill, these issues will not go away. And eventually all concerned may want to begin work on compensation systems to supplement or replace litigation on certain disasters like asbestos, DES, or formaldehyde. To do that we will need a common base of information on tough scientific, medical, and legal issues. Our conference is a first step toward that common ground."

The program features balanced panels in the morning and the afternoon as well as a debate on the new Kasten/Gorton draft between Victor Schwartz of the Product Liability Alliance and Jay Angoff of Public Citizen Congress Watch. Other prominent speakers include Dr. Ellen Silbergeld of the Environmental Defense Fund, trial lawyers Fred Baron from Dallas and Browne Greene from Los Angeles, Robert Muth, Executive Vice President of Asarco, Inc., Harrison Welford, counsel to Manville Corporation, and Congressional staff representing Senators Gorton, Lautenberg, Dodd, Packwood and Kasten, and Congressmen Waxman and Florio.

For more information on the conference, contact CFA's Karen Eppsteiner, (202) 387-6121.

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