CFA CFAnews
September - October 1999
Volume 25, No. 6
ISSN #0732-8281

FCC, DOJ Urged To Block AT&T-MediaOne Merger

Three consumer groups – CFA, Consumers Union, and Media Access Project – filed a formal request with the Federal Communications Commission and Justice Department's Antitrust Division in August to block AT&T Corp.'s proposed acquisition of MediaOne.

The groups based their request on a detailed economic analysis, written by CFA Research Director Mark Cooper, which demonstrates that the merger violates both the antitrust laws and the market concentration limits mandated by Congress and administered by the FCC.

The report, entitled "Breaking the Rules: AT&T's Attempt to Buy a National Monopoly in Cable TV and Broadband Internet Services," cites several examples of irreversible harm that consumers would suffer as a result of the AT&T/MediaOne deal.

These include higher cable and broadband Internet prices, inadequate competition for these services, and stifling of diversity and the free flow of ideas.

"AT&T is attempting to thwart the development of competition through its acquisition of Media One, by combining cable monopolies that serve as much as 60 percent of the country, dominating popular channels, and controlling critical Internet services," Cooper said.

FCC Urged To Enforce Ownership Rules

In appealing to the FCC, the groups asked that agency to vacate the voluntary stay of its "horizontal ownership" rules, which set an upper limit on how many subscribers any one cable operator may reach.

"Failure of the FCC to reactivate its rule to prohibit an enormous cable company like AT&T from dominating the market would make it impossible for tomorrow's high-speed Internet to develop into as open and democratic a medium as today's Internet services," warned MAP President Andrew Jay Schwartzman, author of the groups' legal filing with the FCC.

The economic analysis was also filed with the Department of Justice, accompanied by a letter seeking immediate antitrust intervention to block the merger.

"If this merger is not blocked, consumers will continue to see their cable rates soar and will begin to face inflated prices for new high-speed Internet services," said Gene Kimmelman, Co-director of CU's Washington office.

The merger would give AT&T control over a majority of the country's cable properties and dozens of the most popular cable TV channels, ownership of the two dominant high-speed Internet services, and prefential deals with set top box makers.

Deal Would Impede Competition

According to the groups' analysis, this violates the Communications Act and antitrust laws, because AT&T could use this control to:

- thwart the efforts of satellite, telephone, or other cable companies to compete by offering consumers lower prices, higher quality, and better choices for television services;
- give its affiliates, @Home and Roadrunner, financial and technical advantages in offering broadband services, driving up high-speed Internet prices for consumers and Internet service providers, and preventing some independently owned broadband services from reaching consumers; and
- leveraging preferential marketing deals with set top box makers (like Microsoft) and other service providers to maximize control over the development of new services that could compete with the cable broadband package of services.

Merger Would Result in Massive Concentration

"Consumers hope that technological breakthroughs will finally undermine the market power of the cable companies and prevent it from spreading to broadband Internet service," Cooper noted. "But merger and market power analysis cannot be based on hope or hype."

The proposed merger is "not a case of a close call that can be mitigated by small changes," he said. "This is a massive increase in concentration."

"Given the web of cross ownership, joint ventures, and exclusive or preferential deals, the likelihood that any of the companies interconnected in the digital cartel will vigorously compete against the other companies in the cartel is slim," he added.

"AT&T's promise to some day compete to offer local telephone service does not outweigh the cable and Internet price hikes and damage to competition that immediately result from this merger," he said.

The complete text of the report is available on the Consumers Union website [http://www.consumersunion.org].

Banks Limit Access To Credit Counseling

At the same time that banks are pushing for legislation to restrict consumer access to bankruptcy, they are putting new hurdles in the path of consumers who seek assistance from credit counseling agencies, according to data released by CFA in July.

The CFA data details two recent trends:

- in violation of long-standing industry practice, the largest credit card issuers are becoming increasingly unwilling to reduce interest rates for consumers who enter debt management programs; and
- major banks have instituted across-the-board funding cuts of at least a third for the nation's credit counseling agencies.

"The combination of agency funding cuts and higher interest rates is a double whammy for Americans who are trying to work their way out of debt," said CFA Legislative Director Travis Plunkett.

According to the National Foundation for Consumer Credit, the largest network of non-profit credit counseling agencies, the number of Americans seeking credit counseling and entering debt management programs has risen sharply over the last ten years.

NFCC's member agencies, which deal with a little over half of all the debt handled in credit counseling, assisted more than 1.4 million Americans in 1998, up from only 254,000 in 1988. About 504,000 of the consumers assisted in 1998, carrying a debt of $2.3 billion, entered debt management programs.

Card Issuers Raise Rates for Credit Counseling Clients

According to the information obtained by CFA, four of the ten largest credit card issuers – Citibank, FirstUSA/Bank One, MBNA, and Household Credit Services – have recently increased the interest rate they charge consumers who enter a debt management program. Only one of the ten – Chase Manhattan – has lowered its interest rate.

MNBA, for example, recently increased its interest rate forcredit counseling clients by over half, from 10 percent to 15.9 percent.

"This increase alone would cost a consumer with $10,000 in debt an additional $1,022 over three years," Plunkett noted.

Among credit card issuers on which CFA obtained information, those that charged the highest interest rates to credit counseling consumers are: Sears (21.9 percent), American Express Optima (21.7 percent), Capital One (19.8 percent), and First Card (17.65 percent).

"At these rates, it would be impossible for a consumer to pay off a $25,000 debt at a typical monthly payment of $350," Plunkett said.

In contrast, four credit card issuers – Bank of America, First North American National Bank, Mellon Bank, and US Bancorp – charge no interest for credit counseling clients.

"There are important differences in how credit card issuers treat those in credit counseling programs that can cost financially strapped consumers thousands of dollars," said CFA Executive Director Stephen Brobeck, who joined Plunkett in releasing the data.

Because "typical debtors may never end up paying off debts to high-interest creditors," Brobeck urged consumers to pay attention to the willingness of card issuers to reduce or waive interest changes in their selection of credit cards.

Banks Cut Funding for Credit Counseling Agencies

Consumer credit counseling agencies are largely funded by credit card issuers, who have traditionally paid agencies 15 percent of the debt recovered from a borrower.

Virtually all of the credit card issuers on which CFA obtained information, however, have sharply reduced their contributions to credit counseling agencies below 15 percent.

Most banks contributed 10 percent or less, with two banks among the top ten issuers – MBNA and Household Credit Services – contributing only six percent.

Key Bank was the only bank in the CFA survey still paying a 15 percent contribution to credit counseling consumers.

"The irony is that credit card issuers have aggressively promoted bankruptcy restrictions in Congress while scape-goating working Americans for the rise in personal bankruptcy," Plunkett added. "These recent actions will close off credit counseling as an effective alternative to bankruptcy for many consumers."

(See related article on the Bankruptcy Bill, Page 3)

Disaster Insurance Bill Misguided, Unneeded

Congress is once again considering anti-consumer legislation to provide federal backing to the insurance industry in the event of catastrophic natural disasters.

At a July hearing on the bill, H.R. 21, before the House Banking Committee, CFA Insurance Director J. Robert Hunter noted that "normal market forces" appear to have eliminated the problems the bill was designed to address.

Specifically, reinsurance costs are falling, not rising, and disaster insurance is readily available, he noted. Furthermore, the insurance industry is widely agreed to be "severely over- capitalized," he said.

Although H.R. 21 is not the answer, Congress still has a role to play in rationalizing the disaster insurance system, Hunter said.

"America has allowed its system for preparing for and responding to natural disasters to grow in a haphazard way that inconsistently deals with natural disasters and that inadequately acts to save lives and prevent property damage from natural hazards," he said.

Inconsistent System Should Be Rationalized

The lack of a consistent approach to flood, wind, and earthquake hazards "leaves taxpayers exposed to disaster relief payments," he noted.

In contrast to the competitive insurance market, where prices reflect risk, disaster relief payments involve a cross subsidy from those not exposed to high risk to those who are exposed, he said.

Another problem with the current system is the lack of adequate mitigation requirements, and the lack of enforcement for existing requirements, which "results in unnecessary loss of life and property," he said.

One of the key failings of H.R. 21 is that its mitigation provisions are "remarkably weak," Hunter said.

"Weak mitigation – coupled with lower cost, more readily available insurance – will not only cost taxpayers more in the future, it will cost lives," he said.

This is because homes are more likely to be built in high-risk areas if low-cost insurance is readily available, he explained.

"Simply put, any program that encourages unwise new construction is dangerous both to taxpayers and to the lives of persons inhabiting such structures," he said.

Further Study Needed

The way to approach a solution to the disaster insurance problem is by careful study, Hunter said.

He urged the committee not to move forward with legislation until it had obtained answers, based on an impartial study, to such central questions as:

- what sort of federal back-up, if any, is needed for this country's insurance industry for natural disasters;
- what appropriate mitigation measures should be employed; and
- what other conditions should be exacted from the insurance industry to protect taxpayers.

"If we can find the right balance of mitigation, tax-deferral, response, insurance, risk securitization, and enforcement, we can devise a plan to pay for current natural disasters and plan for future ones," Hunter said.

Furthermore, we can do so, Hunter added, in a way that demonstrates to the taxpayers in states that currently disproportionately foot the cost of disaster relief that "they will be freed from today's cycle of higher and higher tax support of unwise construction in high risk areas of the country."

Public Rates Postal Service Positively

The public rates services of the U.S. Postal Service positively, and improving, but also opposes allowing the government agency to act like a for-profit corporation, according to a national survey released by CFA in August.

"We were surprised to learn how positively consumers rate various USPS services," said CFA Executive Director Stephen Brobeck. "But we also learned that the public strongly supports the preservation of USPS as a regulated governmental body."

CFA commissioned the public opinion survey for two reasons. For many years, it has considered government services to consumers, especially those that have received much criticism, as needing public evaluation, which CFA has periodically undertaken.

Also, the U.S. Postal Service has been urging Congress to pass legislation that would give it more pricing flexibility and allow it to act more like a for-profit company.

The survey was conducted in June by Opinion Research Corporation International.

Consumers rated service received from letter carriers, service from personnel at post offices, the delivery of mail they send, and the delivery of mail they receive either very or somewhat favorably. Each of these four services received favorable ratings ranging from 87 to 92 percent.

More striking, most consumers rated the services very favorably. Service from letter carriers received a 65 percent very favorable rating, while the other three services received a 62 to 63 percent very favorable rating.

Women, Whites Give Higher Ratings

Some population groups rate these services more highly than others.

In particular, women rate postal service significantly more highly than men on two services – delivery of mail sent and service from personnel at post offices – both of which received an 11-point higher very favorable rating from women.

Also, Blacks and Hispanics rate service from personnel at post offices much lower than do Whites. While 65 percent of Whites gave this service a very favorable rating, only 51 percent of Blacks and 53 percent of Hispanics did so.

Many more Americans believe the quality of postal service has improved recently than believe it has deteriorated.

When asked, "Do you believe that the quality of service from the U.S. Postal Service has improved, worsened or stayed the same over the past two or three years," 35 percent said it had improved, compared with only nine percent who said it had worsened. (The majority, 55 percent, said it had stayed the same.)

Significantly, many more Blacks and Hispanics than Whites noted service improvements. Nearly half of all Blacks (48 percent) and Hispanics (49 percent), compared with just a third of Whites, said that service has improved.

"It appears that the Postal Service has sought to address many of the concerns of consumers, especially minorities, expressed earlier in the decade," noted Brobeck.

Americans Find Junk Mail Irritating

The survey also revealed high levels of irritation with junk mail.

In response to the question, "How do you feel about the current volume of junk mail you receive," 76 percent said it irritates them either a lot or a little, with 45 percent saying that it irritates them a lot.

Less than a quarter (23 percent) said that they don't care or that they like receiving the junk mail.

This irritation may be one reason that most Americans (57 percent) think that the 20-cent difference between the basic First Class rate of 33 cents and the average rate of 13 cents to send an advertisement should be reduced.

In fact, 41 percent think it should be greatly reduced. By comparison, only 21 percent think the difference should be increased.

Public Opposes Deregulation

The public believes that postal rates should continue to be regulated. It also believes that the Postal Service should not be allowed to act like a large for-profit company.

More than three-quarters (78 percent) said they favor not allowing the Postal Service to increase the current First Class rate of 33 cents for letters without the approval of an independent commission, including 55 percent who said they strongly favor this rate regulation.

Only 19 percent disagree with this regulation.

Similarly, 64 percent said the Postal Service should not be allowed to decrease rates for mail sent by advertisers without the approval of an independent commission, and only 29 percent said they disagree with this regulation.

Finally, in response to the question, "Do you believe the Postal Service should be permitted to act like a large for-profit company, allowed to buy private companies and sell non-postal products and services," only 33 percent said they should, with only nine percent agreeing strongly.

By comparison, 64 percent said they disagree with this proposed deregulation, with 38 percent disagreeing strongly.

"To our amazement, most consumers seem to like the Postal Service pretty much as it is," Brobeck said. "It follows that Congress should be cautious about privatizing or deregulating the institution."

A copy of the ORCI survey results is available by sending $10 to Postal Service Survey, CFA, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

Food Update (continued from Page 4)

addition, because of industry's preference for immersion chilling, consumers buy an estimated 1.5 billion pounds of water a year at poultry prices. The total cost is nearly $1 billion."

"These regulations, which address health as well as economic adulteration issues, have dragged on far too long," the letter concludes. "USDA owes it to all concerned to publish both regulations at the earliest possible date."

Administration of Sugar Tariffs Criticized

The consumer cost of the sugar program is needlessly increased by the way the Agriculture Department administers sugar tariffs, CFA charged in an August letter to USDA.

"USDA acts in an overly restrictive manner, creating an increasingly tight supply and unnecessary shortages," Jaeger wrote.

"This pushes domestic sugar prices well above the congressionally determined loan rates, which already far exceed world prices," he added.

The GAO recently concluded that $400 million of the sugar program's annual consumer cost results from USDA's overly restrictive administration of sugar tariffs. USDA has kept domestic raw sugar prices at least two cents per pound higher than necessary to encourage producers to sell their sugar, according to GAO.

"Essentially, this enriches producers at the expense of consumers," Jaeger said.

Jaeger urged the department to heed the GAO's recommendations and change the way the tariff quotas are administered "to take into account the interests of consumers as well as producers."

CFAnews

Consumer Federation of America
1424 16th Street, N.W., Washington, D.C. 20036
(202) 387-6121 • www.consumerfed.org

CFAnews is published eight times a year. Annual subscription rate is $25 per year.

Design & Typeset by: Dahlman/Middour Design

Bankruptcy Bill Still Stalled in Senate

In at least a temporary victory for consumers, Republican leaders in the Senate fell seven votes short of the 60 votes necessary to invoke cloture and proceed to a vote on bankruptcy legislation in September.

The Senate bill would prevent most debtors with incomes above the median from filing for Chapter 7 bankruptcy and liquidating their unsecured debts.

And, like the bill that passed the House in May, S. 625 would do virtually nothing to reign in the abusive creditor practices that help lead consumers into unmanageable debt.

"S. 625 would hurt millions of honest and hard-working Americans who fall on financially difficult times, including working families, single parents and their children, and senior citizens," said CFA Legislative Director Travis Plunkett.

The bill passed the Judiciary Committee in April absent most of the pro-consumer provisions included in last year's Senate bill, but managers had agreed at that time that additional changes would be made to the bill before it was brought to the floor.

Agreement Reached on Managers' Amendments

In early September, Sen. Robert Torricelli (D-NJ) and Sen. Charles Grassley (R-IA) announced that they had reached agreement on a bill.

"While they offer a step in the right direction, the proposed managers' amendments agreed to by Sen. Grassley and Sen. Torricelli fall far short in fixing the fundamental flaws in this legislation," Plunkett said.

In particular, he noted, only two of the six significant deficiencies in the bill identified by Sen. Torricelli earlier this year have been even partially addressed.

These include a "safe harbor" from the means test the bill would impose on debtors seeking to enter Chapter 7 bankruptcy for debtors who earn below the state or national median income, whichever is higher.

However, the amendment does not exempt low-income debtors from the other provisions of the bill, including those that allow creditors to file a wide variety of harassing motions not allowed under present law.

The managers' amendment also recognizes Treasury Department authority to modify the IRS income guidelines that the bill would use to determine living allowances for Chapter 7 means tests and requires the department to conduct a study on the appropriateness of these guidelines within three years.

"By that time, millions of families will have been forced to comply with rigid income guidelines that independent bankruptcy experts have predicted will cause great hardship," Plunkett said.

Pro-consumer Reforms Missing

Despite the fact that they passed the Senate with broad bipartisan support last year, many of the provisions that strike more of a balance between debtor and creditor responsibility have not been included in the managers' amendments. Specifically, the managers' amendments do not include:

- added flexibility for bankruptcy judges in applying the means test;
- limits on the provisions in S. 625 that expand the amount of debt that cannot be discharged in either a Chapter 7 or a Chapter 13 bankruptcy case;
- an assurance that child support payments will not be compromised by the non-dischargeability of credit card debt;
- increased court supervision to prevent creditors from coercively pressuring debtors to reaffirm their debts;
- limits on the value of luxurious homes that some states allow debtors to keep while pursuing bankruptcy;
- a ban on claims of predatory high-cost mortgage lenders when credit is extended in violation of the Truth in Lending Act;
- elimination of provisions that would allow creditors to demand far more for their collateral than it is worth; or
- credit card disclosure warning consumers of the total amount they would have to repay and the amount of time it would take to pay off a debt at the suggested minimum rate.

Sen. Torricelli is expected to offer a separate credit card disclosure amendment that addresses some, but not all, of consumers concerns with regard to this issue.

"Without at least these modest pro-consumer alterations, the bill sponsors can make no claim that they are proposing balanced reform," Plunkett said.

The cloture vote – which was scheduled by Senate Majority Leader Trent Lott (R-MS) to prevent a debate both on minimum wage legislation and on critical amendments to improve the bankruptcy bill – is expected to offer only a temporary reprieve.

Sponsors are expected to renew their efforts to restrict debate and schedule a vote before the end of the session.

Payday Lenders Exploit Usury Safe Harbor

As the booming payday lending business continues its spread across the country, almost half of the states have granted a safe harbor from credit laws to these high-cost lenders, according to a report released in September by CFA.

Furthermore, in states that have held the line on usurious lending, payday lenders are increasingly partnering with banks and thrifts to evade state small loan and usury laws, the report finds.

"States from Hawaii to North Carolina now condone interest rates that would violate criminal laws in New York or New Jersey," said CFA Director of Consumer Protection Jean Ann Fox, author of the report, "Safe Harbor for Usury."

"Consumers can be charged legal interest rates for payday loans ranging from 390 percent annual percentage rate to 891 percent for a typical two-week loan," she said.

Payday loans are single-payment, short-term loans based either on personal checks held for future deposit or on electronic access to personal checking accounts.

In a typical transaction, a consumer writes a check for $117.65 to borrow $100 in cash, with the total amount due by the next payday or in up to 14 days.

The $17.65 finance charge on that transaction computes to a 459 percent annual percentage rate (APR). (APR is the standard cost comparison for all forms of consumer lending required by the federal Truth in Lending Act.)

States Exempt Payday Loans From Credit Laws

With over 6,000 payday loan outlets now in operation, and one trade group representative projecting over $2 billion in payday loan revenues by next year, 23 states and the District of Columbia have enacted laws or regulations that exempt payday loan companies from small loan or usury law interest rate limits.

Another seven states have no usury limits at all, while Indiana's minimum finance charge of $33 per loan makes small payday loans lucrative.

Meanwhile, just 19 states have maintained usury and/or small loan rate cap laws that prevent triple-digit interest rate loans.

The 1999 state legislative season produced mixed results for payday lenders.

On one hand, payday lenders won legal status in Hawaii and Arkansas, Utah decided to set no limit on payday loan fees, and Montana adopted the highest rate in the country, $33.50 per $100 borrowed, or 871 percent APR.

On the other hand, industry bills failed to pass in Alabama, Arizona, Florida, Georgia, Texas, and Virginia; Louisiana, Mississippi, and Nevada amended existing payday loan laws to add consumer protections; bills based on a model payday loan law drafted by the National Consumer Law Center and CFA are pending in California and Kansas; and two states, Illinois and New Mexico, are studying the high-cost short-term loan issue.

In addition, a number of state and federal court decisions have found that payday loan transactions are credit transactions, and thus subject to applicable credit laws.

Fox called on states that have resisted the pressure to adopt laws legalizing the exorbitant loans to retain and enforce small loan rate cap and usury laws.

States that have already legalized payday lending should, at a minimum, lower permissible rates and strengthen consumer protections based on the CFA/NCLC model law, she said.

Payday Lenders Partner With Banks To Evade State Laws

As some states have stepped up their efforts to protect consumers from high-cost loans, however, lenders have begun establishing partnerships with banks and thrifts in an attempt to escape state laws.

Some national banks chartered in deregulated states have claimed the right to export their home state's lack of regulation all across the country, regardless of whether their practices would be illegal for payday lenders in the borrower's home state.

"Congress should put a stop to the use of national bank charters to evade state consumer protection laws," Fox said.

As a first step, she called on Congress to pass H.R. 1684, which would require banks to comply with the payday loan laws of the borrower's home state.

"Banks should not be in the business, directly or indirectly, of inducing bank customers to write bad checks to borrow money at loan-shark rates," she said.

Groups Protest Payday Lender's Favorable CRA Rating

In July, CFA joined with seven other consumer and community groups to write to the Office of the Comptroller of the Currency to protest the "satisfactory" CRA rating granted to Eagle National Bank, which makes payday loans at interest rates ranging from 400 to 450 APR.

"Congress did not intend the Community Reinvestment Act to bless lending at triple-digit rates," the groups wrote. "Loans at unconscionable interest rates do not 'meet the needs' of low- and moderate-income communities. Such loans instead prey upon desperately indebted consumers and worsen their financial crises."

The groups called on the OCC to: "take the necessary steps to prohibit national banks from making payday loans at exorbitant rates;" conduct an investigation of Eagle National Bank and its relationship with Dollar Financial Group; reexamine Eagle's CRA performance and "satisfactory" rating in light of these issues; and promulgate any necessary rules or regulations to address these problems, "so that other banks will conduct their business in a fair and conscionable manner."

Proposed Rule Would Expand Payday Lending By Banks

Instead, OCC has proposed a rule revision that "would have the effect of encouraging the use of a national bank charter as a cloak for expanding exploitive, triple-digit small loan lending into states without regard to the will of the citizens of those states," according to a comment letter filed with the agency in August by CFA, National Consumer Law Center, and U.S. Public Interest Research Group.

The proposed rule change, which appears to be intended to adopt into OCC regulations a pre-Riegle-Neal Act court decision on refund anticipation loans, is written in such a way that it "will be used by payday lenders to legitimize the writing of small loans at triple-digit interest rates in states in which the democratically elected legislatures ... have not chosen to legalize such rates," the groups wrote.

In the Reigle-Neal Banking Act of 1994, Congress made it clear that national bank branches are required to comply with all the consumer protection laws of the host state that apply to branches of banks chartered by that state, the groups noted.

In its interpretation, the OCC appears to be defining "branches" in a way to circumvent this provision, they charged. "In fact, this proposed rule change seeks to define away Riegle- Neal efforts to balance the rights of the states to protect consumers."

The report is available for free on the CFA website at [www.consumerfed.org/safeharbor.pdf]. To receive a printed copy, send $10 prepaid to Safe Harbor, CFA, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

Food Update:

Splintered Food Safety System Costs Lives

The federal government's splintered food safety system is costing American lives, said Carol Tucker Foreman, Director of CFA's Food Policy Institute, in August testimony before a Senate subcommittee.

Foreman also noted that administration efforts to cope with the problem through a White House-run "Food Safety Council" fall short of what is needed.

"Their answer is to tinker around the edges and urge more cooperation. We have tried that before," she said. "We've learned that trying to get agencies to put cooperation ahead of turf protection is like trying to teach a pig to sing. It doesn't work, and the pig doesn't like it."

Foreman urged Congress to pass legislation, the Safe Food Act of 1999, creating a single federal food safety agency.

The current system, in which food safety functions are scattered among 12 agencies and governed by 35 different laws, "does not produce an acceptable level of public health protection," she said.

An estimated 81 million cases of foodborne illness and 9,000 deaths each year "are not the mark of success," she noted. "Some of those illnesses and deaths are clearly attributable to the gaps in protection resulting from the present system."

"A multitude of independent expert bodies, congressional committees, the Government Accounting Office, the National Academy of Sciences, and former public officials have all urged consolidation of food safety functions," Foreman said.

In August 1998, for example, NAS urged Congress to create "a unified and central framework for managing federal food safety programs, headed by a single federal official who has both the authority and control of resources necessary to manage food safety efforts."

"The proposed Safe Food Act responds to the NAS recommendation. It would begin to straighten out the problems with the present system," Foreman said.

"Congress should pass the Safe Food Act of 1999 so we can enter a new century with the institutional structure necessary to provide the American people the safest and most nutritious food possible," she concluded.

Farm Aid Should Be Targeted To Small Farmers

With farm prices slumping under surplus production and weak exports, the agriculture appropriations conference committee began work in September to finalize an emergency farm assistance package.

The Senate approved a farm relief package in July, but in a form that does not adequately target aid to small farmers most in need of help. The House, meanwhile, did not include any farm relief in its agriculture appropriations bill.

In a letter to conferees, CFA urged adoption of an administration plan that would target aid on small farmers suffering from low prices for major field crops this year.

The payment system would make up a percentage of the loss where income from a particular crop has fallen sharply below the five-year average and limit payments to crops actually planted. Farmers with gross incomes above $250,000 would be ineligible.

CFA also endorsed administration proposals on drought relief, conservation and wetlands reserves, low-interest loans for grain bin construction, and extension of the dairy price support program.

"By targeting aid where it is needed most – on small farmers suffering from drought, low prices, and reduced exports – the administration plan provides assistance without over- burdening taxpayers or consumers," wrote CFA Assistant Administrator Arthur Jaeger.

Rule Would Improve Healthfulness of School Lunches

USDA proposed a rule in July to give school cafeterias more flexibility in adding vegetable protein to meat and poultry products, a change that Foreman had sought unsuccessfully during her own years as an assistant secretary at USDA in the Carter administration.

"Since 1994, schools have struggled to meet the fat and saturated fat requirements in the Dietary Guidelines for Americans within both tight budgets and the dictates of children's tastes," Foreman wrote in a June letter to Agriculture Secretary Dan Glickman urging publication of the proposed rule.

Adding vegetable protein to meat and poultry products makes it easier to meet the nutrition guidelines and thus makes it easier to keep meat on the school lunch menu under the dietary guidelines, Foreman noted.

"Since the direction of Congress and the Agriculture Department has been to give schools maximum flexibility to meet the new nutrition standards, and since increasing use of vegetable protein will make it easier to meet those standards, CFA sees no reason to retain the restriction," she wrote.

USDA Urged To Speed Approval of Regulations

The Safe Food Coalition, which was founded by Foreman and is administered by CFA, wrote to the USDA in August urging speedy approval of two proposed regulations – one concerning advanced meat recovery (AMR) deboning systems and the other concerning water in meat and poultry carcasses.

In the two and one-half years since the department conceded that AMR regulations need to be revised, and the 15 months since the proposed rule was published, "consumers have continued to eat AMR-processed meat containing bone marrow and neurological tissue," the coalition wrote.

Meanwhile, the comment period on the retained water rule closed in January, but no final rule has yet been approved.

"Studies have shown a relationship between immersion chilling and bacterial contamination," the coalition wrote. "In

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FTC Fails To Promote Online Privacy

The Federal Trade Commission continues to advocate industry self-regulation to protect consumer privacy on the Internet, despite overwhelming evidence that the majority of web sites continue to provide inadequate protections.

In a report to Congress released in July, the Commission stated its belief that "legislation to address online privacy is not appropriate at this time" and that "effective self-regulation is the best way to protect consumer privacy on the Internet."

"The industry has had years to develop effective online privacy protections through self-regulation. They haven't done so, as the FTC's own report shows," said CFA Director of Consumer Protection Jean Ann Fox. "The goal at this point should not be to make self-regulation work, but to make privacy protection work. Clearly, that will require legislation."

Only Commissioner Sheila F. Anthony dissented from the report's recommendations, by calling for "federal legislation to establish at least baseline minimum standards." Noting that bipartisan bills have been introduced in both houses, Commissioner Anthony expressed her concern that "the absence of effective privacy protections will undermine consumer confidence and hinder the advancement of electronic commerce and trade."

That concern was echoed by consumer and privacy groups, including CFA, that wrote to Commissioner Anthony in August expressing their thanks for her willingness to speak out on the issue. "We share your concern that progress has simply been too slow, and that those privacy policies currently in place lack the essential elements of fair information practices," the groups wrote.

The FTC reached its conclusions that legislation is unnecessary despite acknowledging in the report that only a relatively small percentage of the most frequently visited web sites post privacy policies that adhere to widely accepted basic fair information practice principles – notice, choice, access, and security.

The FTC did pledge to monitor continuing progress in development of privacy protection programs, as well as efforts to develop effective enforcement mechanisms, and it did not rule out a call for legislation if that progress fails to materialize.

"Consumers want control of their personal information in both the online and off-line marketplace," Fox said. "By failing to advocate legislative action to protect online privacy, the FTC has missed an opportunity to foster confidence in electronic commerce."

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