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National, Local Savings Campaigns Launched

Based on research that reveals the precarious financial condition of most low- to middle-income Americans, CFA launched an America Saves campaign in February to help these Americans save and build wealth.

Funded with a $300,000 grant from Bank of America Foundation, the program will seek to enroll 100,000 low- to moderate-income savers, encourage millions of Americans to build wealth, and support wealth-building campaigns throughout the nation.

"As the economy slows, most Americans will try harder to pay down debt and build wealth but will find both more difficult," said CFA Executive Director Stephen Brobeck. "The America Saves campaign will try to convince millions of these consumers that they can save and build wealth, show them how to do so, and provide related incentives."

"Americans want to save and believe they can, if someone will just give them some ideas how," said Bank of America Foundation President Lynn Drury. "Our grant will help CFA to organize and support local and national savings campaigns vital to consumers all across the nation."

The grant will support local organizing, the development of a newsletter and website, and the development of membership in America Saves. To enroll, savers must work out a simple, specific plan for attaining a financial goal, then implement this plan.

Research Demonstrates Need

In launching the America Saves campaign, CFA also released new research, funded by a $100,000 Bank of America Foundation grant, which reveals the need for most American households to increase their savings.

Based on the Fed's 1998 Survey of Consumer Finances, the research by Professor Catherine Montalto of Ohio State University shows that the typical low- to moderate-income household has net financial assets, including retirement plan assets, of less than $1,000.

Furthermore, the net financial assets and net wealth of these low- and moderate-income households actually fell in the late 1990s, with rising consumer and home equity debt an important cause.

A comprehensive survey of consumer views of their finances, which was conducted by Princeton Survey Research Associates (PSRA) for CFA, found that many low- and moderate-income households live from paycheck to paycheck.

Nearly two-thirds (64 percent) of those with moderate incomes (household incomes of $20,000 to $50,000) and 79 percent for those with low incomes (household incomes under $20,000) said they sometimes, most of the times, or always "live from paycheck to paycheck."

The survey also revealed that 60 percent of those with low incomes and 69 percent of those with moderate incomes don't think they are saving enough for the future.

The lack of a financial plan appears to help explain why many households are not saving adequately. Only 38 percent of those surveyed had ever prepared a financial plan for themselves or had one prepared for them.

A widely publicized 1997 CFA/NationsBank study (also conducted by PSRA) found that, for households with incomes between $20,000 and $100,000, those with a plan saved twice as much as those without a plan.

Despite the widespread financial anxiety revealed by the survey, more than half of those with moderate incomes (56 percent) and 47 percent of those with low incomes said they have the ability to save money and build personal wealth.

Moreover, an overwhelming majority said they would like to save and build wealth, including 85 percent of those with moderate incomes and 76 percent of those low incomes.

Asked to rate various savings strategies, respondents gave the highest ratings to participating in an employer's retirement plan and saving a fixed amount each month. When asked which financial services offered for free by a trusted non-profit agency most interested them, they rated one-on-one financial planning at the top.

The America Saves campaign is based on more than three years of savings research and on more than a year of development and testing of strategies to persuade low- and moderate-income households to save and build wealth.

Cleveland, Ohio served as the site for the demonstration project, which has been funded by The Ford Foundation and the National Endowment for Financial Education.

Cleveland Begins Enrolling Savers

In early March, approximately 100 community groups, religious groups, employers, unions, educators, and financial institutions launched a Cleveland Saves campaign. Its first-year goal is to enroll 2,500 Cleveland Savers and to encourage an additional 25,000 residents to move down the "path to savings."

Cleveland Savers must set a financial goal (e.g., emergency fund, home ownership, education, retirement) and develop a plan to achieve this goal. The plan must include a monthly dollar amount, a specific savings (or investment) account, a method of making deposits (preferably automatic), and a time period for achieving the goal.

Those who enroll as Cleveland Savers qualify for benefits, including fee-free savings accounts at ten area banks and credit unions, free investment and retirement planning seminars, free savings and investment clubs, and participation in semi-annual raffles of savings products.

However, the core Cleveland Saves services are a hotline, a pamphlet with savings tips and strategies, a motivational workshop to convince anyone that they can save, and a one-on-one session with a Wealth-Building Coach, who helps the saver find money to save and work out a savings plan.

With the campaign officially launched at a community-wide meeting, the services are now being marketed to Greater Cleveland-area residents by radio ads, billboards, and posters, and by hundreds of participating organizations.

Along with the two national foundations, The Cleveland Foundation and the George Gund Foundation are supporting the campaign.

Offering the same type of free workshops, pamphlets, and one-on-one consultations, Kansas City Saves has set enrolling 1,000 Kansas City Savers as its first-year goal. Several Kansas City financial institutions have agreed to waive fees for small savers.

America Saves will be advised by leaders from non-profit, corporate, and government organizations that currently participate in the Forum to Promote Lower-Income Household Savings, managed by CFA.

The complete news release, research report, and survey results are available on the CFA website at www.consumerfed.org/asavespr.pdf, /evidence.pdf, and/cfafinal.pdf.

Bill Would Promote Airline Competition

The Senate Commerce Committee approved legislation in March to bring more competition to the airline industry.

S. 415, co-sponsored by Sens. Ernest F. Hollings (D-SC) and John McCain (R-AZ), would prohibit the hoarding or underutilization of gates, takeoff and landing slots, and other facilities at the nation's 35 largest airports.

It would allow non-dominant carriers to request a 90-day review of gates, facilities, and other assets at essential airports, following which the secretary would be directed to ensure that facilities are provided to non-dominant carriers.

"This legislation could help crack open the dominance of major airlines at hub airports across the country," said CFA Research Director Mark Cooper, who testified in support of the legislation on behalf of CFA and Consumers Union (CU).

"The control of slots, gates, and facilities is clearly a source of abusive market power in the airline industry. The bill would give competitors the chance to come in and compete for travelers at some of the busiest airports in the nation," he said.

Cooper urged speedy adoption of the legislation. That appeared unlikely, however, as Senate Majority Leader Trent Lott (R-MS) has said he will not bring the bill to the floor in its current form.

As it is, the bill was somewhat weakened – through elimination of a provision giving the Secretary of Transportation enhanced authority to review mergers of large airlines – before winning committee passage on a 12-10 vote.

Even before the bill was amended, Cooper argued that it was just a first step to restoring real competition to the airline industry. At least two other steps are also needed, he said:

- an anti-predation rule that prevents dominant airlines from snuffing out entrants with predatory practices; and
- a consumer bill of rights, since it will take significant time for the pro-competitive measures to function, and there are many markets in which too few airlines will exist to compete to meet consumers' travel needs.

The Senate Commerce Committee simultaneously gave voice vote approval to legislation (S. 319) to require the airlines to provide better information on flight delays and cancellations, to give the transportation department authority to fine airlines for poor service, and to expose airlines to lawsuits when they fail to abide by their customer service agreements.

Passenger rights and airline competition bills have also been introduced in the House. Cooper testified on competition issues before the House Subcommittee on Commerce, Trade, and Consumer Protection in March.

Cooper's House testimony is available on the CFA website at www.consumerfed.org/airlinemergers.pdf. The Senate testimony is on the CU website at www.consumersunion.org/other/holstatdc301.htm.

New Political Landscape Confronts Consumers

Consumer advocates face a formidable challenge moving their agenda in the new political environment, but areas exist where progress may be possible, according to a number of experts who spoke at Consumer Assembly 2001.

The last election, in which "everything that matters in Washington was up for grabs ... really settled nothing," said Norman Ornstein, a Resident Scholar at the American Enterprise Institute.

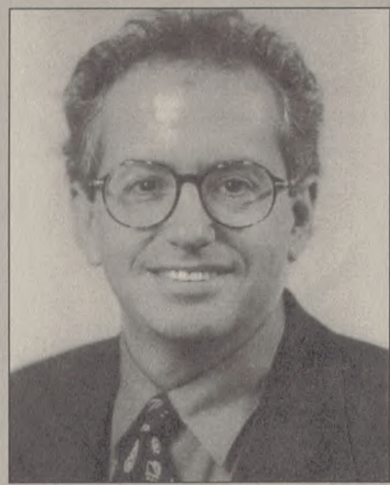
"Even though Republicans won or held on across the board," when you look closely – at the narrow win for President Bush, the lost ground in the House, the even split in the Senate – they really cemented nothing, he said.

The result is "a difficult, unpredictable, somewhat precarious time in American politics," in which "everything is shaped by the next election," Ornstein said.

On many issues, the partisan battle lines will be drawn, and progress will be virtually impossible, he said.

One area that seems to offer real promise, however, is patients' rights legislation, because there is now a "genuine effort to find a solution," he said.

Like Ornstein, Democratic pollster Celinda Lake, President of Lake, Snell, Perry & Associates described an environment that poses a lot of challenges for consumer advocates.


Norman Ornstein


Celinda Lake

Public Opinion Poses Challenges, Opportunities

"The rhetoric of lower taxes and less government is very, very appealing to people," she said, while they tend to have a negative reaction to words like "regulation" that are often at the heart of consumer advocates' vocabulary.

Furthermore, people are easily turned off by complex arguments, over-heated rhetoric, and too broad an agenda of concerns, she warned.

On the other hand, while people dislike the idea of government as a supplier of services, they "are very eager to have government set the standards, be the policeman," she said.

Similarly, while only a small portion of the population (about 32 percent) say they want more regulation in general, those numbers rise significantly when people are asked about specific types of regulation.

Fully 70 percent of the population favors more regulation for health maintenance organizations and insurance companies; two-thirds support stricter air and drinking water standards; and two-thirds disapprove of deregulating utilities, she said.

The public is especially concerned about safety, privacy, and "anything to do with children," she said.

Finally, Lake said, the public does not believe competition is going to solve everything, and they think the idea of voluntary compliance is ludicrous.

The result, she said, is "an environment with a lot of opportunity ... an environment in which you can have an enormous influence."

A panel of seasoned consumer advocates offered their own assessments, which also mixed broad concerns with specific areas of cautious optimism.

The Advocates' View

John Rother, Director of Legislation and Public Policy for AARP, and Carol Tucker Foreman, Director of CFA's Food Policy Institute, noted the important implications for advocates of the proposed tax cuts.

"The president's tax bill jeopardizes federal spending, especially discretionary spending, over the next ten years," Tucker Foreman said.

"The strategy here, I think, is very clear," Rother added. Rather than take on issues and programs people care about, they will "just take away the money ... If there's no money there, then there's not going to be very much of a consumer agenda either."

In addition, the potential for gridlock in Congress is enormous, the panelists agreed.

Despite these challenges, they also agreed that there are isolated issues that offer the potential for progress, including managed care reform, prescription drug benefits, food safety, energy policy, privacy, and campaign finance reform.

To succeed, however, advocates will need to consolidate their agenda and focus on a few issues with a potential for success, said Gene Kimmelman, Co-Director of Consumers Union's Washington, D.C. office.

They will also need to exploit the administration's reluctance to take on issues, like certain food safety issues, where the public is educated, Tucker Foreman said.

Finally, advocates will need to "go to the grassroots much more strongly" and couch issues in personal terms, Rother said. "People don't care that much about programs," he explained. "We've got to talk about people. We've got to connect the dots" between what's happening in Washington and "what happens to people" as a result.

"Consumer advocacy is always ... a little bit like going up the down escalator. Nothing ever happens automatically," Kimmelman said. Given the strong deregulatory ideology of the administration and the Republican leaders in Congress, consumer advocates are now trying to climb "a faster escalator," he said.

Civil Justice System Fails Consumers

Our civil justice system is not working well for consumers, and the outlook is not very good, Public Citizen Litigation Group Director David Vladek said in a general session speech at Consumer Assembly 2001.


David Vladek

The first of five "disturbing" trends described by Vladek is the shrinking availability of legal representation for consumers.

A growing portion of lawyers represent corporations rather than people, he said. In contrast, fewer than one percent of all lawyers work as Legal Aid attorneys, with responsibility for representing the approximately 60 million Americans who are so poor that they qualify, at least nominally, for civil Legal Aid, he said.

Most middle class consumers with a claim are unable either to afford a fee-for-service attorney or to find a contingency fee attorney willing to handle their case, he said.

"The legal system has basically opted out of serving you, the consumer," Vladek said.

In addition, Vladek said, consumers are also threatened by:

- the growing use of mandatory arbitration in consumer contracts, which gives an inherent advantage to companies as "repeat players" in the system, limits the remedies available to consumers, and threatens to saddle them with the costs of the proceedings if they fail to prevail;
- the growing use by corporations of the argument that consumers can't sue because the company that caused the harm was in compliance with government regulations, potentially leaving victims with no remedy at all;
- the growing use of consumer class actions, which, while they are an important tool for aggregating modest claims and "hold enormous promise if handled right," also "hold enormous potential for abuse if the lawyers handling them are only interested in collecting a fee and not in getting a recovery for consumers;" and
- the continued dominance of the courts that "deal more generally with regulatory issues" by judges, appointed by former presidents Reagan and Bush, who have shown a reluctance to force federal regulators to act.

As a result of these trends, the civil justice system "is not a bulwark to protect consumers these days," Vladek said. "It is far from it. We really need to get back to work on that."

Consumer Reporting Faces Challenges

Consumer reporting faces a number of challenges but still has an important role to play in exposing abuses and educating consumers, according to a group of top consumer reporters who spoke at Consumer Assembly 2001.

CBS News/"48 Hours" Correspondent Erin Moriarty, NBC News/"Dateline" Chief Consumer Correspondent Lea Thompson, and ABC News/"20/20" Correspondent Arnold Diaz all agreed that many of the stories that are important to consumers – such as health care or electricity deregulation – are too complicated to be covered well on network television.

"People want simple," Moriarty said. "A lot of these stories just can't be told that way."

The job is made more complicated by the fact that the networks are experiencing cut-backs, she said. "We don't have the kind of back-up and support that we used to have ... to do investigative reports."

Thompson said that, while she has continued to be well supported, "what I am much more concerned about is what's happened to local television."

With less money in local television than there used to be, special units, including consumer and investigative units, are among the first things to go, she said.

"What you are left with are reporters who may be fine reporters and who may want to do investigative pieces, but who have to do that along with their daily fare. There's not enough time or money," she said.

Diaz noted that increased legal scrutiny also poses a challenge for consumer reporters.

"We have attorneys crawling over our pieces," he said. "The legal reviews are far more extensive than they used to be, and the standard is not, 'can you win a lawsuit,' but 'can you avoid a lawsuit.'"

That tends to "take the edge off" stories, he said.

"Times have changed," Thompson concluded. "I don't think that means we can't do good reporting. It's just a lot harder."

Political Leaders Outline Consumer Agenda

Three leading members of Congress – Sen. Dick Durbin (D-IL), Sen. John McCain (R-AZ), and Rep. John Conyers (D-MI) – outlined ambitious agendas on a wide range of consumer issues in keynote addresses at Consumer Assembly 2001.

Meanwhile, Bush economic advisor Lawrence Lindsey focused on promoting the president's proposed tax cuts, and Ambassador Ira Shapiro spoke about trade policy.

Among the areas that need to be addressed, according to Sen. Durbin, are Internet privacy and access, tobacco regulation and warning labels, and food safety.

On the Internet, Sen. Durbin said, "The industry's been unable to police itself, and we need to put some [privacy] standards in place." He added that the government has a responsibility to ensure universal access to the Internet.

Tobacco warning labels have become all but invisible, he said. We need "visible, graphic, and effective" warnings. In addition, he said, the Food and Drug Administration should be regulating tobacco.

Sen. Durbin also argued for consolidation of food safety functions within a single agency "that is science-driven." Currently, six agencies enforce 28 different laws relating to food safety, he said.

He also decried the anti-consumer bankruptcy bill that was being debated in the Senate at the time of his speech. The bill fails to address abusive practices of creditors, and instead goes after the most vulnerable consumers, he said.

"These poor folks have been pushed over the edge by the loss of a job, a divorce, or medical bills. They should not be the victims of the U.S. Senate, and that's what's happening today," he said.

"The agenda we have before us is a tough one, made tougher in the new political situation," he said. "But we can't give up on it ... I am hopeful that these consumer issues that shouldn't be partisan really won't be."

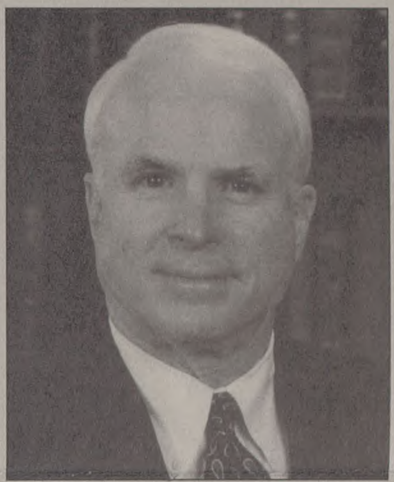
The address by Sen. McCain gave some support to that optimistic assessment. Like Sen. Durbin, Sen. McCain discussed the need for new privacy protections and a campaign to "close the digital divide."

He also discussed the need to address consolidation in the telecommunications and airlines industries, to pass both a patients' and a passengers' bill of rights, and to develop a national energy policy.

Campaign Finance Reform Key to Consumer Agenda

The key to winning pro-consumer policy in all those areas is passage of campaign finance reform legislation, he argued.

Sen. Dick Durbin



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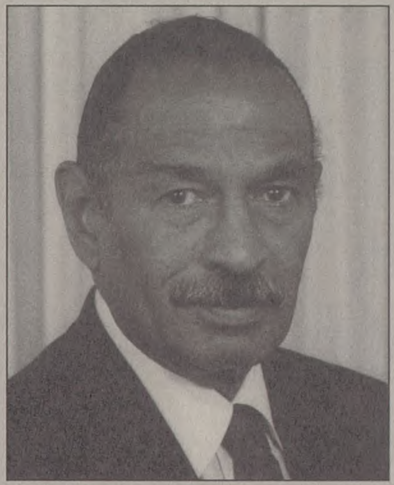
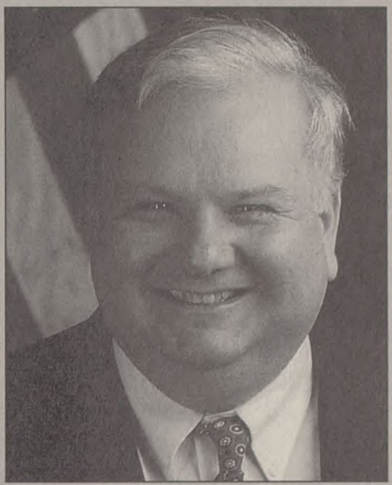


Rep. John Conyers



Lawrence Lindsey

Consumer Assembly 2001

The McCain-Feingold bill aims to rein in the "two great evils" of modern campaigns – soft money and independent campaigns, he said. "If we do that, we will have solved 90 percent of the problem."

As a result, "every special interest in this town is now in a panic mode," he said, "because they will lose influence, they will lose power, if we pass this legislation."

To those who say the bill doesn't go far enough, Sen. McCain expressed understanding but warned against "making the perfect the enemy of the good." To those who say new problems will emerge as soon as the current problems are solved, he said, "Nothing is permanent in this world.

"Twenty or 30 years from now, another McCain-Feingold will be standing in front of you arguing that we need to clean up the system," he said. "But that does not mean we do not need to stand up and act now."

"If we don't change this system, then Americans will become more and more cynical and alienated," he concluded.

In his address, Rep. Conyers also touched on a range of consumer topics that he said need to be addressed – universal health care, firearm safety and regulation, expanding Medicaid, a minimum wage hike, and campaign finance reform.

But he spoke primarily about two legislative initiatives – bankruptcy reform and the administration's proposed tax cuts – that he sees as posing serious threats to consumer welfare.

Among its many faults, the bankruptcy bill that passed the House gives "massive new rights to creditors to coerce low income debtors in bankruptcy court," makes it much more difficult for people to keep their house and car in bankruptcy, and creates new categories of non-dischargeable debt that will compete directly with alimony and child support payments, he said.

At the same time, it fails to crack down on credit card abuse or to prevent wealthy debtors from shielding assets in expensive home, he said.

Rep. Conyers also criticized the president's tax cut plan as being unfairly tilted toward the rich, and he labeled it "a secret way" to reduce spending in areas important to consumers.

"We have so many urgent needs that are going unmet now," he said. After the president's proposed tax cut, "there won't be enough money left" to address pressing problems, he said.

Lawrence Lindsey, Assistant to the President for Economic Policy and Director of the National Economic Council, presented a very different picture of the president's proposed tax cuts – as balanced, affordable, and necessary.

Tax Cut Called Affordable, Fair, Necessary

"Our tax code is a mess, and we all know it," Lindsey said. The president's tax plan is designed to address the biggest problems with the system, he said.

The biggest problem, he said, is that people of relatively modest means – a single parent with two children struggling to get by on $25,000 a year – who try to get ahead have half of any material progress taken away by the government.

About 40 percent of the income tax cut is aimed at solving that problem, by doubling the child credit and creating a new 10 percent federal income tax bracket, he said.

The president's plan also:

• gets rid of the marriage penalty, which Lindsey called "lousy social policy;"

• lowers the top tax rate for unincorporated businesses to 33 percent from the current 44 percent rate, which he said is clearly retarding the growth of unincorporated businesses in what "is supposed to be the great age of entrepreneurship;"

• repeals the "death tax" on the grounds that it is a "major impediment to capital formation" and is viewed as unfair by the vast majority of Americans; and

• extends the deductibility of charitable contributions to all Americans, "whether they itemize or not."

Countering arguments that the tax cuts could lead the country back into deficits, Lindsey said it is easily affordable even while allowing federal spending to increase at one and half times the rate of inflation.

While the primary reason behind the president's proposal is to fix the biggest problems in the tax code, "the fact that the economy is weakening is probably another reason to enact those changes," Lindsey said.

"The best thing we can do to stop what is now a cut in investment from spreading is to put more money into people's pockets," which is what the tax cut will do, he said.

Trade Seen as Key to Prosperity

Ambassador Ira Shapiro, who served as General Counsel in the Office of the U.S. Trade Representative during the Clinton administration, said continuing to expand international trade is key to promoting prosperity at home.

Shapiro said U.S. trade policy should: maximize the strength of our own economy; ensure that our nation's other values – including environmental protection, worker safety, consumer protections, and food safety – are maintained; benefit not only the United States, but also the poorest nations of the world; and recognize that trade is a crucial determinant of our relations with other countries in the post-Cold War world.

"If the Bush administration tries to do trade without these core labor standards" and without environmental and consumer protections, "it will fail," Shapiro predicted. "If they do both, they may find a lot of ways to do things," he said.

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Anti-Consumer Bankruptcy Bill Advances

Consumers suffered a serious set-back in March, when both the House and Senate passed versions of anti-consumer bankruptcy legislation, and the president announced his willingness to sign it.

The legislation would place numerous burdensome restrictions on Americans who attempt to file for chapter 7 or chapter 13 bankruptcy.

"The bills create a complex new bankruptcy bureaucracy where creditors have the upper hand and debtors face numerous new legal traps and paperwork burdens," said CFA Legislative Director Travis Plunkett.

The bills would not curb aggressive lending practices by creditors that help entice consumers into taking on unsustainable levels of debt, nor would they provide adequate information to consumers about the cost of carrying credit.

"In all of my years in and out of the Senate, I've never seen a bill that was so one-sided," said CFA Chairman Sen. Howard Metzenbaum (Ret.). "The cries, claims, and concerns of vulnerable Americans who have suffered a financial emergency have been drowned out by the political might of the credit card industry."

Although both the House and Senate versions are based on the bill vetoed by President Clinton last year, they contain several significant differences on controversial issues regarding state bankruptcy "homestead" requirements and abortion clinic violence.

As a result, a conference committee will have to reconcile those differences and produce a final bill. That process is complicated by the fact that the Senate never established procedures for appointing conferees in light of its 50-50 party split.

Credit Card Marketing Grows More Aggressive

As the legislation neared passage, CFA released new data showing that credit card issuers dramatically increased their marketing and credit extension last year.

These factors, along with a drop in debt losses and consumer bankruptcies, were key reasons behind profits that have increased by nearly 50 percent in two years and are at a five-year peak.

"Credit card issuers' aggressive marketing and lending practices are pushing many families closer to the financial brink," Plunkett said. "While the issuers urge Congress to deny families access to bankruptcy relief, their profits are soaring."

Meanwhile, figures compiled by University of Maryland economist Lawrence M. Ausubel reveal that bankruptcies fell sharply for the second year in a row in 2000. In fact, the per capita personal bankruptcy rate has declined by 15 percent since the end of 1998.

Professor Ausubel warned that the legislation actually threatens to undermine that progress, since it will "encourage lenders to lower their credit standards further and solicit riskier customers, increasing the number of badly over-extended consumers in the country."

Total credit extended by bankcard issuers, which includes unused credit lines and debt incurred by consumers, approached three trillion dollars for the first time ever. That represents a 13 percent increase during just the first nine months of 2000 and projects to a 17 percent increase for the entire year.

The vast majority of the increase can be attributed to credit extended by issuers (up $340 billion in the first three quarters) as opposed to debt incurred by consumers (up $22 billion).

Mailings, which account for about three-quarters of all cards sold, were 2.5 billion through the third quarter of 2000. That projects to 3.3 billion for the entire year and represents a 14 percent increase over the number of mailings in 1999.

Profits are also up. Pre-tax return on assets, an important measure of profitability, was 3.6 percent in 2000, a 16 percent increase over 1999 and 44 percent more than in 1998.

Consumers Show Restraint

Meanwhile, the bankruptcy rate is lower than it was before bankruptcy legislation was introduced in Congress in 1997. Net charge-offs – the proportion of debt losses to outstanding debt – were 1.05 percent at the end of the third quarter in 2000, 30 percent lower than at the same time in 1997.

Despite the increase in credit extended, consumers are increasingly saying no to credit card solicitations. The response rate has declined from 2.8 percent in 1992 to .6 percent in the first three quarters of 2000.

Consumer restraint was also evidenced by the fact that bank card issuers extended credit at a faster rate than consumers assumed debt in 2000. Unused credit lines grew by 15 percent in the first three quarters, while consumer debt grew by only 4 percent.

The most important thing Congress and issuers could do to accelerate the decline in personal bankruptcies would be to phase in an increase in the minimum payment allowed from 2-3 percent to 4 percent, said CFA Executive Director Stephen Brobeck.

"The decline in the typical minimum payment to 2 or 3 percent is responsible for much of the rise in consumer bankruptcies through the past decade," he said.

With a 2 percent minimum payment, monthly credit card payments totalling $400 represent $20,000 of credit card debt.

"That low minimum payment, which barely covers interest obligations, convinces many borrowers that they are okay as long as they can meet all their minimum payments," he explained. "But those who cannot afford to make these payments carry so much debt that bankruptcy is usually the only viable option."

The complete news releases on the Senate bankruptcy bill and the credit card marketing data are available on the CFA website at www.consumerfed.org/bank-travis.pdf and /travpr.pdf.

Bush Sends Mixed Signals On Food, Water Safety

In the early days of his administration, President Bush has sent mixed signals on how he will treat food and drinking water safety issues – moving forward with a proposed regulation to reduce illness and death caused by *Listeria monocytogenes*, while withdrawing for reconsideration a rule on arsenic in drinking water.

Carol Tucker Foreman, Director of CFA's Food Policy Institute, praised the administration for its decision to move forward on the Listeria rule. Listeria is a deadly pathogen often found in ready-to-eat foods. Work on the rule began two years ago, after 21 people died and over a hundred were made sick by Listeria-contaminated hot dogs and deli meats. The products were marked "ready to eat" and bore the USDA seal stating they had been "inspected and approved."

"Despite the Sara Lee outbreak and numerous subsequent Listeria recalls, meat and poultry processors are not now required to test either their plants or their products for this pathogen," Tucker Foreman noted. "The proposed rule begins to address this serious weakness in the food safety system by requiring companies either to institute controls for Listeria or to perform monthly checks of their plants." While arguing that the rule needs to be strengthened, Tucker Foreman said that "CFA is reassured by the quick action to publish the proposed rule."

On the other hand, CFA strongly opposed the administration decision to withdraw the new arsenic standard for drinking water and reopen the rule-making. "If EPA decides to begin a whole new standard setting process to reach a possibly different arsenic standard, the American public will be saddled with the old standard of 50 ppb for many more months and possibly years," said CFA Public Policy Associate Diana Neidle. "This level of arsenic in drinking water, according to a unanimous National Academy of Sciences report, can result in a 1 in 100 combined fatal cancer risk and should be lowered 'as promptly as possible.'"

The final arsenic rule issued in January, which set a standard of 10 ppb, is the result of 25 years of public comment, debate, and scientific inquiry, Neidle noted. Far from being set at an overly protective level, it permits more arsenic in drinking water than EPA has ever allowed for other cancer-causing contaminants, she said.

A news release on the Listeria decision and a CFA letter to the Senate on the arsenic in drinking water standard can be found on the CFA website at www.consumerfed.org/listeria.pdf and /drinkingwater.pdf respectively.

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