CFA CFAnews

July/August 1985
Vol. 10, No. 5
ISSN #0732-8281

For CPSC and EPA

House Votes Indoor Air Research Funds for CPSC and EPA

The House of Representatives has voted to fund indoor air pollution research by two federal agencies, as efforts intensify in both houses of Congress to launch a comprehensive indoor air research program.

Just days before beginning its August recess, the House approved annual appropriations for the Consumer Product Safety Commission and the Environmental Protection Agency in the HUD-Independent Agencies bill, HR 3038. The bill includes $2.5 million for EPA indoor air programs and $300,000 for CPSC efforts in Fiscal Year 1986. EPA's 1985 funding for indoor air was $2 million.

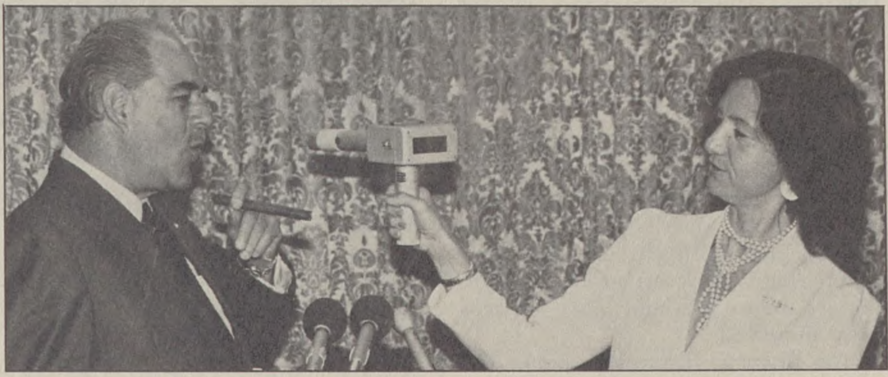
Mary Ellen Fise, CFA's Product Safety Director, called the House action "an important step toward a comprehensive attack on indoor air pollution. The House has clearly rejected the Administration's position that nothing should be done."

Meanwhile, legislation has been introduced in both houses to establish an indoor air program at EPA to conduct and coordinate research, and provide information to the public. Both the proposed House and Senate bills require EPA to submit a report within two years assessing known indoor air hazards and projecting possible federal action. Three million dollars a year would be authorized for these activities.

House sponsors of the Indoor Air Quality Act of 1985 are Reps. James H. Scheuer (D-NY) and Claudine Schneider (R-RI), the chairman and ranking Republican, respectively, of the House Subcommittee on Natural Resources of the Committee on Science and Technology. Their bill was introduced after testimony before the subcommittee by CFA listed tens of millions of dollars in unmet indoor air pollution research needs (see *CFAnews*, April 1985).

The Scheuer-Schneider bill has incorporated into HR 2319, EPA's general research and development authorization for 1986. HR 2319, with the indoor air provisions intact, has been reported out of both the subcommittee and the full committee, and is awaiting floor action.

In the Senate, a bipartisan effort has been launched to pass a similar bill. S. 1198 has been introduced by Sens. George Mitchell (D-ME), Frank Lautenberg (D-NJ), and Robert Stafford (R-VT). There are nine other cosponsors from both parties, and CFA is participating in a major effort to sign up additional supporters. Senate supporters of indoor air research are also working to match the House appropriation contained in HR 3038.



Representative James H. Scheuer (D-NY), left, Chairman of the House Subcommittee on Natural Resources of the Committee on Science and Technology, and Representative Claudine Schneider (R-RI), the subcommittee's ranking Republican, demonstrate the potency of one form of indoor air pollution at a press conference announcing their introduction of the Indoor Air Quality Act of 1985.

House Committee Okays Interstate Banking

The House Banking Committee, chaired by Rep. Fernand J. St Germain (D-RI), has reported a bill which will lead to widespread interstate banking operations in the next several years. The controversial legislation has split the banking industry into competing factions. But it has united consumer organizations which fought for, and won, unanimous adoption of requirements to guarantee that consumers benefit from changes in banking structure.

The consumer provisions were sponsored by Reps. Mary Rose Oakar (D-OH) and Charles Schumer (D-NY) and amended a proposal on consumer benefits first proposed by Rep. John J. LaFalce (D-NY). They include the following three sets of requirements:

1. In order to make acquisitions in other states, bank holding companies must be found to have good records meeting the credit and deposit needs of average consumers in their existing markets.
2. When an acquisition is proposed, the acquiring holding company must make specific commitments showing how the acquisition will improve the availability and affordability of credit and deposit services used by the community in which the bank to be acquired is located.
3. Consumers are given an enhanced ability to comment on proposed acquisitions and to do so on the basis of publicly disclosed information about the acquiring company's past performance and future intentions.

"The Schumer-Oakar provisions don't specifically require that banks offer basic banking or 'lifeline' services," said Consumer Federation of America's Legislative Representative Alan Fox, "but it's clear that any bank which offers such services and promises to make them available after an acquisition will have a very easy time meeting the bill's requirements."

"On the other hand, a bank which has closed branches in low-and-moderate-income neighborhoods, and has hiked its minimum deposit requirements to discourage small depositors, will be told that it cannot take advantage of the privilege of interstate operations until it cleans up its act in its home state," Fox said.

Banks have claimed consumers will benefit from interstate banking because of greater competition. But Fox noted that most banks intending interstate expansion plan to do so by buying existing banks, not opening new ones. The consumer provisions apply only to acquisitions of existing banks, and such acquisitions do nothing to improve services through additional competition.

"The Banking Committee, under Chairman St Germain's leadership, has taken a historic step," Fox said. "For the first time, changes in the structure of the banking industry were made only while consumers' interests were also preserved. The committee has told the big banks, in effect, that their public obligations are as worthy of consideration as their private ones and that restructuring must meet consumers' needs as well as their own," he said.

CFA and TRAC to Host Fall Phone Conference

Telephone issues are burning up the wires for state and local consumer advocates across the country. So Consumer Federation of America and the Telecommunications Research and Action Center (TRAC) are sponsoring a September conference to bring together advocates, industry representatives, government communications officials, public service commissioners, public utility counsels, state legislators and representatives of citizen organizations.

The conference will be September 26 and 27 at the Washington Hilton and Towers, Washington, D.C. Its overall theme is "Telephone Issues for the States, 1985." The sub-theme is "After Divestiture: Local Issues and Options."

Prior to September 6, the registration fee is $90 for government and/or public interest group representatives and $190 for corporate registrants. After that date, the fees are $100 and $200, respectively.

For room reservations, call 800-445-8667 or contact your local Hilton reservation service. Be sure to identify yourself as a conference registrant.

If you have any questions, or for further information, contact Erika Landberg at CFA, 1424 16th Street, N.W., Washington, D.C. 20036, or call her at 202-387-6121.

CFA Survey Documents Rising Bank Fees

Fees for routine banking services continue to increase, particularly the fees charged to small depositors. And those increases are driving consumers away from banks.

Those were the conclusions of the second annual national survey of bank fees, designed by Consumer Federation of America and San Francisco Consumer Action, and conducted with help from a dozen other state and local consumer organizations.

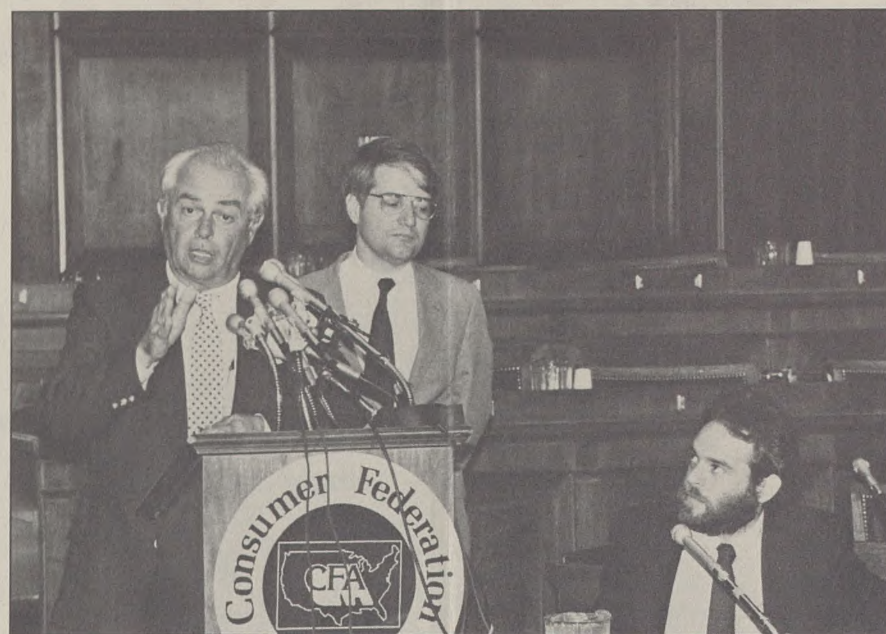
Results of the survey of 142 banks and savings and loans in 14 states and the District of Columbia were released at news conferences around the country.

Banking Chairman Hits Fees

In Washington, House Banking Committee Chairman Fernand J. St Germain (D-RI) called escalating bank fees "a hidden tax on the American consumer." He warned financial institutions that Congress would block expansion of bank powers unless fees and other services were improved.

"The financial institutions better not think they will get their little wish list unless they cooperate on giving consumers a break on what they pay for banking services," he said.

In San Francisco, Consumer Action Executive Director Ken McEldowney said that fee increases recorded in California were not justified. "At a time of low inflation, increased automation and reductions in levels of service, we would expect to discover lower fees, not a great increase in charges," he said.



CFAnews photo by Allison Schuette

Chairman Fernand J. St Germain (D-RI) of the House Banking Committee addresses a Capitol Hill press conference where CFA announced the results of its second annual national survey of bank fees. Pictured with him are Stephen Brobeck, CFA Executive Director, standing center, and Alan Fox, CFA Legislative Representative, who directed the survey.

Nationally, the cost of a NOW account increased 13 percent in just one year, while non-interest-bearing checking account costs jumped five percent and savings account fees climbed 34 percent. Bounced check charges went up five percent and fees for returned deposits shot up 49 percent.

Fees varied widely between institutions, with wide variances often occurring in the same geographic area. Within the same city, fees for the same services were found to vary by as much as $168 a year. The most expensive NOW account cost a small depositor $172 a year, and many others cost more than $120 a year, even allowing for interest income.

But other NOW accounts cost much less or even allowed consumers a modest net income on a small balance. The average NOW account cost a small depositor $75 a year. At banks, the annual average was $101, while at savings and loans it was only $49 a year.

Even non-interest-bearing checking accounts, which cost banks nothing in interest expenses, carry a high price tag. The average checking account surveyed cost more than $100 a year, with the most expensive just under $200.

Complexity is Key Finding

"A key finding of the survey is that methods of calculating fees have become more and more complex," said CFA Legislative Representative Alan Fox. "Even sophisticated shoppers are unable to accurately compare prices on identical services offered by different institutions. And the banks themselves are often unable to clearly and accurately explain their prices."

Other organizations participating in the survey were Connecticut Citizens Action Group, Kansas Consumer Affairs Association, Milwaukee Concerned Consumers League, Virginia Citizens Consumer Council, Louisiana Consumers League, Maryland Citizens Consumer Council, Oregon Consumers League, Idaho Consumer Affairs, Public Citizen, and Midwest Fraud Research Unit.

Copies of the survey are available from CFA for $10; $5 for non-profit organizations, and free to members.

Conference Explores Electric Utility Issues

Areas of agreement as well as policy differences were explored by consumer advocates, government regulators, and representatives of electric utilities at a two-day forum initiated by Consumer Federation of America and co-sponsored by American Public Power Association, National Rural Electric Cooperative Association and Edison Electric Institute.

Edison Electric Institute photo

Panel members who debated the pros and cons of power plant construction at the conference on electric utilities are Andrew Varley, second from left, Chairman of the Iowa Commerce Commission; Mark D. Luftig, second from right, Vice President of Salomon Brothers, Inc., and Dr. Mark Cooper, right, CFA's Energy Director. Ken Gray, Washington Representative for the Tennessee Valley Authority, left, moderated the panel discussion.

More than 250 conference attendees debated substantive options for meeting the nation's future electricity needs safely and efficiently. Discussion topics included the completion of power plants now under construction; building new plants; investing in conservation and load management; developing new energy sources and technologies, and expanding "wheeling" of electricity between regions. Also discussed were methods of resolving issues such as interventions before public service commissions, citizen input in utility decision-making, and principled negotiations involving advocates and utilities.

After *Energy Daily* Editor Llewellyn King outlined the "present conditions and future prospects" of electric utilities, power plant construction was debated by Andrew Varley, Chairman of the Iowa Commerce Commission; Mark D. Luftig, Vice President of Salomon Broths, Inc., and Dr. Mark Cooper, Energy Director of Consumer Federation of America.

Varley stressed the difficulties regulators face in balancing the perspectives of consumers and investors when the issue is as large as nuclear power plant construction.

Luftig emphasized the likely need for power plants and the difficulties utilities are having in acquiring adequate funding and maintaining the rates of return necessary to sustain building programs.

Cooper's presentation was devoted to the problems of excess cost and capacity which have plagued recent construction projects. He advocated the application of economic principles to such projects to assure net benefits to consumers.

Representative Edward Markey (D-MA), in a luncheon speech, discussed plans to hold comprehensive hearings across the country to examine the full range of issues and options necessary to meet the nation's future electric needs. Markey is chairman of the House Energy Conservation and Power Subcommittee.

There was general agreement among all participants that the interests of electric utilities and their residential customers are inextricably linked, especially for public power systems and rural electric cooperatives, but also for investor-owned utilities.

As CFA Executive Director Stephen Brobeck noted in his opening remarks: "It is in the interest of both electric utilities and consumer advocates that low-income customers can afford electric service; that fuel costs are restrained, and, to an increasing extent, that electricity is consumed as efficiently as possible."

CFAnews

CONSUMER FEDERATION OF AMERICA

1424 16th Street, N.W., Washington, D.C. 20036
(202) 387-6121

President: *Jean Ann Fox*
Executive Director: *Stephen Brobeck*
Legislative Director: *Gene Kimmelman*
Administrative Director: *Erika Landberg*
Legislative Representative: *Alan Fox*
Energy Director: *Mark Cooper*
Public Affairs Director: *Jack Gillis*
Product Safety Director: *Mary Ellen Fise*
Product Safety Coordinator: *Edith Furst*
Conference Manager: *Sheila Meade*
Secretary: *Lydia Rivera Grogan*
Secretary/Researcher: *Lisa Goldstein*
Administrative Assistant: *Miguel Carpio*

CFAnews Editor: *Terry Schuette*

CFAnews is published 8 times a year. Annual subscription rate is $25 per year.

Design & Typeset by: Design Consultants, Inc.

State Legislatures Tackle Auto Safety

By Jack Gillis, CFA Public Affairs Director

Grassroots lobbyists are having a busy season as local lawmakers tackle mandatory safety belt laws and the minimum drinking age. Dealing with these issues on a local level is representative of the Reagan Administration's efforts to reduce the responsibilities of the federal government, but only seat belt laws are a result of administration initiative.

In an effort to increase the minimum drinking age to 21 nationally, Congress mandated that states' federal highway aid will be cut if they fail to establish 21 as the minimum age for the purchase and public possession of alcoholic beverages. Failure to enact such an age limit will reduce a state's highway income by five percent in fiscal 1986 and ten percent the following year.

In order to retain federal highway funds, nearly every state legislature which allows drinking under the age of 21 has considered changing it. Before 1985, 26 states and the District of Columbia allowed drinking under 21. During 1985, 13 additional states have established 21 as the minimum drinking age. The remaining 12 and the District either defeated or did not consider bills requiring a change. In the next legislative session, most of these jurisdictions are expected to force legislators to make a decision.

The Congressional mandate which stimulated this local legislative activity was sponsored by Senator Frank Lautenberg (D-NJ). In addition to the death and injury resulting from drinking and driving among the under-21 population, Lautenberg noted that this is the only age group to experience a decline in life expectancy in the last 20 years.

Seat Belt Laws: A Catch 22

The other local legislative issue, mandatory safety belt usage, has a completely different twist. Last year, the U.S. Department of Transportation decreed that automatic crash protection must be available in all cars sold after September 1, 1986. In promulgating this rule, Transportation Secretary Elizabeth Dole said that if states with two-thirds of the country's population had mandatory seat belt laws by April 1, 1989, the federal government would not require passive restraints.

To meet the two-thirds of the population requirement, only 16 state legislatures would have to pass such laws, provided that both Texas and California were among the 16. Twenty-two are required without California and 26 without Texas. (Since 1970, 30 countries have passed seat belt laws including Australia, Canada, France, Great Britain, Ireland, Japan, and the USSR.)

Dole's decision is a catch 22 for safety advocates. Advocacy of state safety belt laws now means, in effect, working against an eventual federal air bag rule.

Automakers Spend Millions

U.S. automakers have mounted a $15-million-a-year national campaign to lobby state legislatures to pass safety belt laws in order to avoid having to install automatic safety protection in cars.

In addition, part of Dole's $20-million annual budget for the program is earmarked to "educate" state legislators on the benefits of state safety belt laws. Local lobbying groups have to decide whether to accept money to promote a law which may not be consistent with their own long-term goals.

During the past two years, 47 states have considered the issue and 14 now have mandatory safety belt laws (see table), accounting for about 40 percent of the population. Significant differences exist among these laws and the U.S. Department of Transportation has not indicated whether any of them can be counted to meet Secretary Dole's goal.

States Evade 'Trap'

In an effort to provide the protection of both belt laws and air bags, some states, New Jersey for one, passed belt laws which specifically state they cannot be used to defeat the automatic crash protection standard. Another means to the same end are laws that will "sunset" in the event that the necessary number of states pass safety belt legislation.

Some laws contain a provision that, with a doctor's permission, a driver does not have to buckle up. However, doctors are wondering who will excuse them from liabilty in crashes involving unbuckled patients. The State of New York Medical Society has refused to endorse guidelines for granting medical exemptions that were drawn up by state authorities. The reason: No medical condition has yet been found to warrant a medical exemption for seat belt use. This loophole has yet to be tested in litigation.

The table at left shows state by state action on safety belt and drinking age laws.

State Safety Belt and Drinking Age Legislation Status

State	Belt Law Status	21 Drinking Age Status
Alabama	Failed	Enacted 1985, Eff. 10/1/87
Alaska	Failed	Enacted 1983
Arizona	Failed	Enacted 1984
Arkansas	Failed	Enacted 1935
California	Passed Assembly	Enacted 1933
Colorado	Failed	Failed
Connecticut	Enacted, Eff. 1/1/86	Enacted, Eff. 9/1/85
Delaware	Introduced	Enacted 1984
District of Columbia	Introduced	Failed
Florida	Failed	To Governor
Georgia	To Study Committee	Enacted 1985, Eff. 9/30/86
Hawaii	Enacted, Eff. 12/16/85	Failed
Idaho	No Action	Failed
Illinois	Enacted, Eff. 7/1/85	Enacted 1980
Indiana	Enacted, Eff. 7/1/87	Enacted 1934
Iowa	Failed	Carried to 1986
Kansas	Failed	Enacted 1985, Eff. 7/1/85
Kentucky	No Action	Enacted 1938
Louisiana	Enacted, Eff. 7/1/86	Introduced
Maine	Failed	In Process
Maryland	Failed	Enacted 1982
Massachusetts	Passed Committee	Enacted 1984
Michigan	Enacted, Eff. 7/1/85	Enacted 1978
Minnesota	Failed	Carred to 1986
Mississippi	Failed	Enacted 1985, Eff. 10/1/86
Missouri	Enacted, Eff. 9/28/85	Enacted 1945
Montana	Failed	Referendum Vote 1986
Nebraska	Enacted, Eff. 8/1/85	Enacted 1984
Nevada	Enacted*	Enacted 1933
New Hampshire	Failed	Enacted 1985, Eff. 6/1/85
New Jersey	Enacted, Eff. 3/1/85	Enacted 1983
New Mexico	Enacted, Eff. 1/1/86	Enacted 1934
New York	Enacted, Eff. 12/1/84	Introduced
North Carolina	Enacted, Eff. 10/1/85	Enacted 1985, Eff. 9/1/86
North Dakota	Failed	Enacted 1936
Ohio	Passed Senate	No Action
Oklahoma	Enacted, Eff. 2/1/87	Enacted 1983
Oregon	Failed	Enacted 1933
Pennsylvania	Introduced	Enacted 1935
Rhode Island	In Joint Committee	Enacted 1984
South Carolina	Introduced	Enacted 1985, Eff. 9/14/86
South Dakota	Failed	No Action
Tennessee	Failed	Enacted 1984
Texas	Enacted, Eff. 9/1/85	Enacted 1985, Eff. 10/1/86
Utah	Failed	Enacted 1935
Vermont	No Action	Failed
Virginia	Failed	Enacted 1985, Eff. 7/1/85
Washington	Failed	Enacted 1934
West Virginia	Failed	Failed
Wisconsin	Introduced	Introduced
Wyoming	Failed	Failed

*Contingent on federal government allowing speed limits above 55.
(Source: Data collected by the U.S. Department of Transportation.)

CFA Opposes Beer Bill

CFA Executive Director Stephen Brobeck delivers testimony before the Senate Judiciary Committee in opposition to the Malt Beverage Inter-Brand Competition Act (S. 412), which would extend the antitrust immunity, which beer wholesalers currently enjoy in several states, to the whole nation. This blanket exemption would not only hike beer prices, but would also encourage other industries to seek similar immunity, Brobeck said. The result would be a less competitive marketplace.

CFA Urges Changes in Banking Laws

In recent testimony before the Senate Banking Committee, Consumer Federation of America's Executive Director Stephen Brobeck urged the adoption of legislation that would ameliorate emerging problems created by the financial services revolution. The most pressing consumer problems, he said, are new threats to the safety of deposits, increased complexity and consumer confusion, and the growing denial of services to low-and-moderate-income families.

Brobeck noted that the financial services revolution has provided consumers with numerous benefits. The deregulation of interest rates has allowed them to earn higher yields on deposits. Deregulation and the implementation of new technologies has given consumers access to a wider array of products and related services. More broadly, attendant productivity gains have begun to increase economic efficiency and enhance U.S. competitiveness in international financial service markets.

"Yet," added Brobeck, "this progress has not come without a price." The most widely publicized price is the threat to the safety and soundness of the banking system. Also a problem is confusion resulting from the proliferation of banking options and the increasing complexity of their pricing. This confusion not only inhibits competition, but also allows a minority of financial service companies to exploit their least sophisticated customers.

CFAnews photo by Dave Scavone

CFA Executive Director Stephen Brobeck outlines consumer problems created by the financial services revolution in testimony before the Senate Banking Committee. Pictured with him is Henry Schechter, Deputy Director of the AFL-CIO's Department of Economic Research and Director of its Office of Housing and Monetary Policy.

Of greatest concern is the increasing denial of essential banking services to low- and moderate-income families. This loss is indicated by recent Federal Reserve Board data showing that, among the poorest 10 percent of all families, the proportion without checking rose from 44 percent in 1977 to 56 percent in 1983. Among the least affluent 50 percent, this proportion increased from 29 percent to 35 percent.

While this decline in checking reflects many factors, two of the most important, asserted Brobeck, are the recent escalation in bank fees and the rising number of branch closings. The former has been revealed by numerous surveys, including one recently released by CFA (see page 2).

Key recommendations made by Brobeck include the following:

- Requiring all banks and savings and loans to participate in federal insurance programs;
- Requiring clear and comprehensive disclosure of all important terms and conditions on deposit accounts;
- When disclosure is not sufficient, regulating the specific terms of deposits and loans to include setting usury ceilings and limits on interest rate increases on adjustable rate mortgages;
- Extending the Home Mortgage Disclosure Act, which requires banks to disclose information about their community lending patterns, and
- Requiring federally protected banks and S&Ls to offer basic checking and savings accounts with no or low fees and minimum balance requirements.

Brobeck stressed that CFA does not expect banks to subsidize these accounts. Accordingly, it is willing to permit banks to limit the number of free transactions and incorporate other cost-cutting features.

Senate, House Disagree On CPSC Authorization

Congressional reauthorization of the Consumer Product Safety Commission (CPSC) is moving at a snail's pace, while the commission continues its own deliberations on its priorities for Fiscal Year 1987.

The House Subcommittee on Health and the Environment is considering a bill, sponsored by Representative Henry Waxman (D-CA), which would authorize continuation of the CPSC for three years and make notable changes in its structure and operation. Principle among them are: a decrease in the number of commissioners from five to three; establishment of a minimum personnel floor of 568 employees; a change in the requirements for information disclosure, and the expansion of the commission's jurisdiction to include rides at fixed-site amusement parks.

Alan Fox, Consumer Federation of America's Legislative Representative, said "the minimum personnel floor is a key provision. It is a necessary response to the wholesale slashing of more than 40 percent of the agency's personnel level in the last five years by the Office of Management and Budget."

Even as the Senate passed a much weaker bill than the House proposal, the commission considered its FY '87 priorities. Mary Ellen Fise, CFA's Product Safety Director, urged that indoor air quality be one of them. In a statement to the commission, she said that "the evidence of adverse health effects from indoor air pollutants continues to grow. CPSC should not be in the position of limiting its focus to band-aid treatment of these issues."

Fise asked the commission to address specifically the hazards posed by methylene chloride, a potent chemical contained in paint thinners and strippers and aerosal sprays. The National Toxicology Program recently concluded that there is clear evidence that methylene chloride causes lung and liver tumors in mice and mammary tumors in rats.

"Because of these findings and because consumer use of this chemical in unventilated areas can cause exposure levels several times above recommended levels, this chemical has the potential to pose a significant health hazard," she said.

CFA also encouraged the commission to address children's health hazards in its FY '87 priorities, stressing particularly deaths and injuries caused by bicycles and those caused by swimming pools.

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

BULK RATE
U.S. POSTAGE
PAID
WASHINGTON, D.C.
PERMIT NO. 8772