



CONSUMER FEDERATION OF AMERICA

Groups Endorse Pro-Consumer Media Policies

Consumer and other public interest advocates from around the country reached agreement on a slate of principles and policies to promote democratic discourse during a national, web-based town hall meeting hosted by CFA in September.

Participating groups adopted a series of policy goals to:

- ensure that commercial media and communications serve the public interest;
- promote non-commercial media and communications; and
- protect citizen and consumer rights. (See box.)

Those policy goals will be the basis for participation by CFA and state and local groups in the rule-making process at the FCC.

The groups will also use the principles to get media policy issues in front of candidates during this and future election cycles.

The topic was made more urgent by recent Appeals Court decisions that threaten to dramatically increase media ownership concentration and put an end to open communications networks.

Court Decisions Threaten Media Diversity, Open Networks

Those decisions sent back to the Federal Communications Commission (FCC) for reconsideration long-standing limitations on the ability of a single company to own different media outlets in a community and rules requiring telecommunications companies to share their networks.

"Unfortunately, FCC Chairman Michael Powell argues that the United States no longer needs the public interest standard of the Communications Act for the mass media or the obligation for advanced telecommunications service providers to provide non-discriminatory inter-connection and carriage," said CFA Research Director Mark Cooper.

"Instead, he contends that the marketplace and the antitrust laws will be adequate to address excess concentration and the abuse of market powers," Cooper added.

This runs counter to long-standing Supreme Court policy, Cooper said, which declares that the First Amendment "rests on the assumption that the widest possible dissemination of information from diverse and antagonistic sources is essential to the welfare of the public."

Although the Court initially articulated this principle with respect to newspapers, both the Court and Congress have consistently and appropriately applied the same principle to all forms of electronic mass media and telecommunications services, he said.

"When it comes to civic discourse, our nation's democratic principles require that public policy respond to the evolving social,

economic and political context in which citizens communicate," Cooper said.

"As technology improves communication, we must consistently raise the bar," he said.

A Call To Action

The town hall meeting served as a call to action, to get local advocates involved in these issues on the grounds that, "vigilance in protecting the First Amendment rights of all citizens and vigor in promoting vibrant civic discourse are obligations that fall on all citizens."

It was organized in recognition of "Civic Participation Week," which was declared in commemoration of the September 11 terror-

ist attack, as an outgrowth of CFA's Ford Foundation-funded project on digital technology and telecommunications.

The meeting brought together consumer, low income, civil rights, senior, and other public interest advocates from around the nation.

Nine state and local members hosted sites for the meeting, with 10 to 35 people at each site participating by conference call and viewing materials, including video clips and slides, over the Internet.

"This was so exciting for our community," said Florence Rice, President of the Harlem Consumer Education Council, which hosted

a site at its Technology Center.

"This is the first time that the Technology Center has been used to let people in Harlem talk to consumers from all over the country."

In addition to Harlem Consumer Education Council (New York), groups participating in the town hall meeting were: Arizona Consumers Council, Democratic Processes Center (Arizona), North Carolina Consumer Council, UCAN (California), Columbia Consumer Education Council (South Carolina), Virginia Citizens Consumer Council, Massachusetts Consumer Coalition, and SHISA (Florida).

Policies To Promote Democratic Discourse

The following policy goals were adopted by participants in the town hall meeting.

Ensuring that Commercial Media and Communications Serve the Public Interest

Diversity of Media Ownership: Public policy should strive to create an environment for civic discourse where numerous, independently owned, institutionally distinct media outlets are accessible to the public. Policies that limit cable and broadcast companies to no more than one third of the nation and ban cross-ownership between broadcast and newspapers in the same market should be preserved. The ban on cable TV operators' owning broadcast stations in the same market should be reinstated.

Open and Available Communications: Communications networks should be open to citizens and service providers on a non-discriminatory basis in a manner that encourages expression, experimentation, and use and that provides universal service. Advanced telecommunications functionalities used to access the Internet should be defined as telecommunications

services subject to the Communications Act obligations of just, reasonable, and non-discriminatory inter-connection and carriage.

Accountability: Media and communications entities should be accountable and responsive to the people and local communities they serve and should be reflective of the diverse socio-economic and cultural points of view that make up our nation.

Promoting Non-Commercial Media and Communications

Public Airwaves: The airwaves (radio spectrum) are a public resource that holds the potential to dramatically expand democratic discourse by creating a communications environment in which the role of owners of distribution networks (TV broadcast, cable TV stations, and telecommunications wires) is dramatically reduced. Public policy should expand the reliance on unlicensed spectrum and resist the temptation to sell of the nation's most valuable First Amendment asset.

Citizen and Community Media: Alternative technologies, such as low power TV and radio and the Internet, and

alternative forms of ownership, such as local government and cooperatives, hold the promise of easier access, more direct participation, and greater responsiveness to citizen information needs than the dominant commercial mass media. These should be supported with set-asides of distribution capacity (channels and spectrum) and resources from a digital trust fund.

Protecting Citizen and Consumer Rights

Fair Use: Citizens, consumers, and the economy are best served by open standards and networks that afford them maximum choice, encourage use, and promote unfettered innovation and expression by both consumers and producers. Consumer rights to choose the time and manner of the fair use of the information and programming that comes into their homes must be preserved.

Privacy: All media should respect the privacy of individuals by ensuring that individuals have the ultimate and absolute authority to determine whether information about them is collected and to control how it is used.

On the Hill

Although Homeland Security and the debate over possible war with Iraq dominated the congressional agenda, Congress also found time to deal with a number of consumer issues this fall, often with harmful results for consumers.

Despite numerous sticking points, conference negotiations continued on energy legislation containing anti-consumer electricity deregulation provisions. (See page 3)

The House adopted anti-consumer bills on rent-to-own transactions and medical malpractice limits. And a pro-consumer generics

bill with bipartisan support was kept from the House floor by Republican leaders.

The one positive development was the apparent impasse keeping anti-consumer bankruptcy legislation off the House floor.

"For the most part, the House continues to be the place where anti-consumer bills originate and flourish," said CFA Legislative Director Travis Plunkett.

House Dems Push Generics Bill

Following Senate passage this summer of legislation that would make it more difficult for drug companies to block the introduction of generic alternatives to brand name products, supporters have launched several efforts to force House floor consideration of a com-

panion bill.

Rep. Martin Frost (D-TX) tried an unsuccessful parliamentary maneuver to bring the bill, H.R. 5272, to the House floor in mid-September.

House Minority Leader Richard Gephardt (D-MO) and Sen. John McCain (R-AZ) have joined forces to urge Speaker of the House Dennis Hastert (R-IL) to schedule a floor vote on the legislation. Sen. McCain is co-sponsor of S. 812, which passed the Senate on a vote of 78-21.

Rep. Gephardt was also seeking to collect the necessary 218 signatures on a discharge petition to force a floor vote. To win, how-

(Continued on Page 3)

Effort Launched To Promote Black American Savings

The typical black American household has less than one-quarter the net wealth of the typical American household, according to a new study released in August by CFA and BET.com.

The gap — \$15,500 in net wealth for black households, compared with \$71,700 for households overall — is much greater than the median income gap between such households and cannot therefore be explained by income differences alone, according to the study.

To help reduce this wealth gap, BET.com and CFA have launched a Black America Saves initiative to encourage and assist African Americans to save and build wealth.

The program, which is part of the America Saves campaign, includes:

- membership in a Black America Saves club, which allows those who submit a saving goal and a plan for reaching that goal to receive free information about savings strategies and options, a free email subscription to the *American Saver* newsletter, and free access to financial planners by phone or Internet;
- a Black America Saves subpage, developed by CFA, on the BET.com website, which provides basic information about saving and wealth-building, allows the calculation of current and future household wealth, and permits enrollment as a Black American Saver; and

• distribution by the two organizations of a Black America Saves pamphlet, containing information about savings and becoming a Black American Saver, to hundreds of thousands of black Americans.

Closing Wealth Gap is Campaign Goal

"Our goal is to utilize the power of the Internet and the reach of the BET network to provide black consumers with the tools to make informed decisions about spending, savings, and building wealth," said Debra L. Lee, President and COO of Black Entertainment Television (BET).

"Through Black America Saves, we aim to augment existing efforts to close the considerable wealth gap between blacks and other Americans," added CFA Executive Director Stephen Brobeck.

The report was prepared by Brobeck based on an analysis by Ohio State University Professor Catherine Montalto of the most recent Federal Reserve data on household finances.

Not all the report's news was bad. It found, for example, that black American

wealth has been growing rapidly over the past decade — from \$3,680 in 1989 to \$15,500 in 1998, an increase of 321 percent.

On the other hand, it also found that proportionately fewer black Americans are wealthy than among American households overall, and proportionately more blacks are "wealth-poor."

Specifically, only 18 percent of black American households have net wealth of at least \$100,000, compared with 42 percent of all American households, and 45 percent of black households have less than \$10,000 in net wealth, compared with 25 percent of all American households.

Wealth Differences Explain Behavioral Differences

The Fed data also revealed significant differences in self-reported financial behaviors related to planning horizons, spending and income, savings habits, and willingness to take financial risks:

- 35 percent of black Americans have a "planning horizon" of the next few months, compared with 20 percent of all Americans, and only 25 percent have a planning horizon

of at least five years, compared with 38 percent of all Americans;

- 24 percent of black Americans report that they spend more than their income, compared with 14 percent of all Americans, and only 35 percent report spending less than their income, compared with 56 percent of all Americans;

- 32 percent of black Americans say they do not save, compared with 23 percent of all Americans, and 34 percent say they save regularly, compared with 39 percent of all Americans.

The differences in financial behaviors between black Americans and all other Americans raise the question as to whether there are unique behaviors exhibited by black Americans that help to explain their low wealth levels.

When differences in wealth are accounted for, however, these behavioral differences virtually disappear.

As a result, the report suggests that other factors — such as differences in income, family inheritance, and contributions to dependents — help explain relatively low black household wealth levels.

The new Black America Saves initiative is part of the larger America Saves campaign that was launched early in 2001.

That campaign has been built primarily around local campaigns that are being organized or have been launched in nearly 20 communities and regions from northern Wisconsin to Florida, from Seattle to Philadelphia, and from big cities like Cleveland and Phoenix to rural areas like Gadsden County, Florida.

The national campaign is being advised by a committee of leaders from some 50 government, business, and non-profit groups.

Groups Oppose Payday Lender's Bank Purchase

Even as federal regulators have begun to crack down on partnerships between payday lenders and national banks, a major payday lender has launched a new strategy testing federal bank regulators' resolve.

Cincinnati BancGroup, owned by the same company as the Check'n Go chain of payday lenders, applied to merge with the Bank of Kenney, the smallest state bank in Illinois, in order to turn its payday loan outlets into bank branches.

The merger has the same purpose as the "rent-a-bank" practices recently targeted by the Office of the Comptroller of the Currency (OCC), to allow the payday lender to avoid state consumer protections and to claim the bank's right to export favorable home state interest rate laws across state lines.

The merger is subject to approval by the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Bank.

CFA was one of more than 70 organizations that filed letters of protest with the Federal Reserve Bank of Chicago and FDIC after learning of the proposed merger.

"If the Federal Reserve and the FDIC approve this application, Check'n Go will undoubtedly claim the right to export unlimited interest rates from Illinois across the country," said CFA Consumer Protection Director Jean Ann Fox.

Merger Threatens Safety and Soundness

CFA opposed the merger on a variety of grounds, including threats to the bank's safety and soundness and threats to consumer protections.

If the merger were approved, the tradi-

tional banking operations of tiny Bank of Kenney would be dwarfed by the payday loan operations, even in the unlikely event that it restricted its payday loan operations to Illinois.

When the OCC ordered Eagle National Bank to stop its payday loan operations through Dollar Financial Group check cashers, one of the safety and soundness concerns it cited was the bank's loss of control over the loan business.

The OCC expressed concern that the bank's payday loan concentration levels had increased as the bank came to rely on the loans as its primary source of income and that the concentration increased the risk to the bank's earnings and capital and potentially to the FDIC insurance fund.

"Clearly, all the same concerns apply in Check'n Go's proposed purchase of the Bank of Kenney," Fox said.

Furthermore, the purchase is specifically designed to allow Check'n Go to conduct its payday loan business nationwide, without regard for state usury, small loan, or even payday loan laws, she said.

Check'n Go's claim that consumers will be protected by industry voluntary "Best Practices" is ludicrous, she added.

"This voluntary code of conduct places no restriction on the cost of payday loans, requires no more than the law requires on cost disclosure and coercive collection tactics, and leaves a large loophole for perpetual debt," she said.

"Self-regulation by a trade group instead

of law enforcement by the state Attorney General and credit regulator does not come close to adequately protecting consumers," she added.

Consumers Score Victory on Brickyard Bank

Meanwhile, consumers scored a related victory, when Brickyard Bank decided to stop partnering with a payday lender after the FDIC and the Illinois bank regulator required them to raise their capitalization to cover the risk of the loans.

The bank had been renting its charter to Check'n Go outlets in North Carolina and Texas.

CFA was among several groups urging the FDIC to weigh the bank's payday lending activities against it when evaluating its Community Reinvestment Act compliance.

Despite such progress, the constant evolution of payday lenders' efforts to evade state consumer protections highlights the need for Congress "to reweave the small loan consumer safety net," Fox said.

Congress should do so, she said, both by enthusiastically supporting federal bank regulators in their efforts to stop rent-a-bank and buy-a-bank misuse of bank charter and by passing legislation. Congress should either "take check holding out of the small loan transaction, by enacting H.R. 1055, or set minimum standards that apply both to banks and to state payday loan laws, by enacting H.R. 1319," she said.

On the Web

<http://www.consumerfed.org/backpage/blacksaverspr.html>
http://www.americasaves.org/back_page/BlackWealthReport082902.doc
http://www.americasaves.org/back_page/bet/index.html

On the Web

http://www.consumerfed.org/100302_payloans_shednet.html

CFAnews

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Electricity Plans Would Cost Consumers Billions

As energy bill conferees continued to negotiate electricity deregulation and the Federal Energy Regulatory Commission (FERC) pushed its Standard Market Design plan, CFA released a report in September showing these efforts threaten to increase the price of electricity by tens of billions of dollars.

Although proponents of deregulation have claimed that opening the retail market would bring price cuts and improved goods and services to consumers, the CFA study found that repeated examples of the abuse of market power, excessive scarcity overcharges, inefficient transaction costs, and a sharp increase in the cost of capital swamp any conceivable efficiency gains.

"Policy makers in the states, who are closest to the people paying the bills, have been convinced to stop or slow deregulation," said CFA Research Director and report author Mark Cooper. "But, in a remarkable disregard for consumer interests, Congress and the FERC are charging ahead."

The Senate included a provision in its energy bill to repeal Public Utility Holding Company Act (PUHCA). Although the House did not include electricity deregulation in its energy bill, the issue has been a focus of conference committee negotiations, and House conferees have also indicated support for PUHCA repeal.

If properly implemented, however, PUHCA could have prevented many of the market abuses that have hurt consumers in deregulated markets, Cooper said.

Meanwhile, as part of its Standard Market Design proposal, FERC is seeking to impose complex spot markets on all utilities. Such a move would "ensure that every electron sold to consumers fetches the highest price the market will bear," Cooper noted.

Congress and the FERC have also proposed to force public and cooperatively owned utilities into the market experiment.

These utilities, which serve one quarter of the nation, have so far avoided the serious economic pains of restructuring by "not playing the deregulation game," Cooper said. "They will likely pay a heavy price under the proposed FERC rules."

"Rather than charging ahead with restructuring and deregulation, Congress and FERC need to step back and fully understand the implications of the massive fraud and financial meltdown that have occurred in the electricity industry," the report concludes.

Electric Industry Ill Suited To Deregulation

The study bases its conclusion on a comprehensive examination of the behavior of electricity markets that have been deregulated, as well as on simulations of the impact of deregulation on prices in states that chose not to restructure their markets.

It concludes that the fundamental conditions of supply and demand create numerous sources of price increases that regulators cannot control. These include:

- **market power abuses.** In a deregulated system, generators and transmission owners have demonstrated the ability to manipulate the market and withhold supplies to drive prices up. "While a tenfold increase in California has attracted the most attention, market power cost increases of 20 to 30 percent have been documented across the country," Cooper said.

- **excessive scarcity overcharges.** Generators and transmission owners enjoy excess profits when the price of scarce resources is bid far above their costs in tight markets. These overcharges can add 50 percent to the wholesale price of electricity.

- **increased transaction costs.** De-integration of the industry raises costs by requiring more numerous and more complex transactions and by undermining coordina-

tion in the industry. "Transaction cost increases could raise prices another 12 to 22 percent, and added demand for more facilities can add even more to the total bill," Cooper said.

- **rising capital costs.** Merchant generators demand a quicker recovery of costs and a higher return on capital. This short-term perspective increases the cost of capital by between 20 and 60 percent, which raises the overall cost of service.

Congress, FERC Should Drop Deregulation Plans

"Congress's first goal must be to reinforce consumer and investor protections," Cooper said. As such, it should not only drop the electricity tile of the energy bill, but also strengthen PUHCA, he said.

FERC should first reevaluate its Standard Market Design and conduct a survey of national transmission needs, he said. It should then implement a strategy to repair the country's transmission system and maintain a secure, reliable source of electricity for all consumers.

On the Web

http://www.consumerfed.org/backpage/091802electricity_deregulation.html
<http://www.consumerfed.org/allpain.pdf>

On the Hill

continued from page 1

ever, he will have to find several Republicans willing to defy their leadership and sign the petition.

"A number of Republicans support the bill, but they are unlikely to take on their leaders so close to an election," Plunkett said. "This was a last-ditch effort to get a bill to the floor that has broad, bipartisan support."

House Passes Anti-Consumer Rent-to-Own Bill

The House voted 215 to 201 in September to adopt rent-to-own legislation that would provide no significant new protections for consumers and instead would preempt the strongest state laws.

Consumer groups, including CFA, had written to members earlier this summer urging their opposition to the bill, H.R. 1701.

"This wolf-in-sheep's clothing is not a 'pro-consumer bill,' as its industry proponents allege," they wrote. "Actually, H.R. 1701 is cleverly designed for one purpose, and one purpose only: to eliminate existing stronger state law protections against industry abuses."

The rent-to-own industry has succeeded in getting weak bills passed in 46 states defining rent-to-own transactions as leases.

However four states — Minnesota, New Jersey, Wisconsin, and Vermont — have adopted laws that treat rent-to-own as a credit transaction, in recognition of the fact that most consumers end up purchasing the merchandise.

Classifying the transactions as credit transactions subjects them to stronger consumer protections and requires annual percentage rate (APR) disclosures. In New Jersey rent-to-own contracts are also subject to the same usury ceiling, 30 percent APR, that applies to other small loans.

Although the House bill received modest

improvements in committee to scale back its preemption in some areas, it still would prevent states from regulating rent-to-own transactions as credit transactions.

"Consumers need protections from high fees and from the exorbitant prices charged to purchase items through rent-to-own dealers," said CFA Director of Consumer Protection Jean Ann Fox. "They need assurances that they can reinstate their contract with reasonable fees and under reasonable conditions after they have spent considerable sums trying to purchase an item."

"Unfortunately, H.R. 1701 would provide none of those protections," she said.

A similar bill, S. 2947, was introduced in the Senate in September, but has not been scheduled for mark-up. As a result, some expect bill supporters to attempt to attach the House measure to an appropriations bill to circumvent full Senate consideration.

House Panel Votes To Limit Malpractice Awards

The House voted 217-203 in late September in favor of legislation to restrict the ability of medical malpractice victims to receive fair compensation for their injuries.

H.R. 4600 would cap punitive damages and limit plaintiffs' attorneys' fees.

It was approved on a 27-22 vote in the House Commerce Committee in mid-September and on a voice vote in the Judiciary Committee earlier in the month.

Supporters claim the bill is designed to slow the rising cost of medical malpractice insurance, but an analysis by CFA Insurance Director J. Robert Hunter (reported on in the last issue of CFAnews) found that further limiting patients' rights to sue for medical injuries would have virtually no impact on lowering overall health care costs.

"We have the smoking gun — paid claims

per doctor have been flat since 1985 when adjusted for medical inflation," Hunter said. "Where's the explosion except in the profits for the insurance companies?"

Although companion legislation, S. 2793, has been introduced in the Senate, it is not expected to move. The Senate has already rejected medical malpractice limits during its debate over Medicare prescription drug benefits.

Bankruptcy Bill Still Stalled

Although the credit industry continues to press for its passage, members of both parties have declared that there will be no further action on bankruptcy legislation, at least until after the elections.

Unfortunately, the deadlock has little to do with the harm the bill would inflict on financially pressed consumers trying to make a fresh start.

Instead, the conference agreement has been kept off the House floor because of an inability to reach agreement on language prohibiting

abortion protestors from filing bankruptcy to escape payment of court-ordered fines.

Conferees thought they had reached a deal shortly before August recess, but that deal triggered opposition both from anti-abortion House members and from the AFL-CIO, which was concerned the language could affect union members fined for protesting peacefully.

As a result, expectations that the bill would be brought to the House floor in early September proved unfounded. By mid-September both sides had declared the bill dead.

"Support for the bankruptcy bill is fairly wide, but not deep," Plunkett said. "That's why it keeps getting hung up on side issues."

"We are grateful for the additional time we have to talk to representatives about the bill," he added. "The more members of Congress know about it, the more they understand how it will harm families that have suffered genuine financial misfortune."

Firearm Advocacy Website Launched

The Consumer Federation of America launched a website in August promoting regulation of guns as consumer products.

"Guns kill or injure more than 90,000 Americans each year. Yet they are virtually the only consumer product not regulated for health and safety," said Project Director Susan Peschin.

"More than 30 years ago, the United States made prevention of deaths from motor vehicle injuries a national priority, and an estimated quarter of a million deaths have been prevented," she added. "We can and must do the same thing with guns."

The website is organized around sections for advocates, policy makers, and media. It includes fact sheets, text of legislation, lists of supporters, and news about recent developments as well as guidelines for contacting members of Congress and working with the press.

It is the latest product of a CFA project, funded by the Joyce Foundation and launched in 2000, to educate consumers about the gun industry's immunity from regulation and to spur policy initiatives leading to the regulation of guns.

On the Web

<http://www.regulateguns.org>

FCC, Congress Off Course on Digital TV

Digital television policies being advanced by the Federal Communications Commission (FCC) and some in Congress are anti-consumer and will do little to speed the transition to digital television, according to a report released in late September by CFA.

"It boils down to one simple fact," said CFA Research Director and report author Mark Cooper. "Under the current digital television transition policies, consumers are being forced to pay more for less."

The report, "A Consumer-Friendly Industrial Policy for the Transition to Digital Television," examines two key digital TV issues that will have a critical impact on consumers:

- a digital tuner mandate, which would drive up television prices but offer consumers marginal value; and
- a proposed "broadcast flag," which would curb home recording rights.

These approaches are being pushed by the broadcast and cable industries and are currently under consideration at the FCC and in legislation being drafted by House Energy and Commerce Committee Chairman Billy Tauzin (R-LA).

Higher Costs, Fewer Rights for Consumers

"By raising costs and reducing functionality, these policies are more likely to slow the transition and leave new digital media less innovative than it otherwise could be," Cooper said.

They "reward broadcasters and cable

industries for dragging their feet and hammer the consumer," he added.

Almost 90 percent of American TV households pay to receive their TV signal from cable or satellite, which does not rely on a broadcast signal to the home. Yet, the FCC and Rep. Tauzin propose to require digital tuners in every TV.

"Forcing digital tuners into TV sets will do little to accelerate the digital transition," Cooper said. "Its primary impact will be to raise the price of TV sets and enrich the companies that hold patents on digital tuner technologies."

The draft legislation and the FCC also propose a "broadcast flag" that would limit consumer electronics devices to recording only programming that is authorized for copying by the broadcasters.

This would roll back firmly established "fair use" principles that allow consumers to make copies of programming unless the content owner can show that a copyright is violated.

By requiring the FCC to implement restrictions on the consumer's ability to copy content they legally bring into their homes, "Rep. Tauzin's draft legislation treats every consumer like a thief," Cooper said.

Consumer-Friendly Policies Outlined

The report outlines alternative, consumer-friendly policies that Congress and the FCC should follow to accelerate the transition to digital television.

"Today the government is trying to spur the transition by forcing consumers to buy products they don't need or don't want," Cooper said. "Instead they should be taking steps to make digital TV more inviting."

For example, instead of forcing consumers to buy digital tuners they may never use, policy makers should take steps to enable the public to receive more digital programming over cable, the most popular mode of television reception.

Consistent with the 1992 Cable Act requirement that cable companies carry local television networks, cable operators should be required to provide carriage of digital channels. At the same time, they must not be allowed to act as gatekeepers or filers, Cooper said.

In addition, open set-top box standards are needed in order to fully realize the high-tech cable box of the future — one that marries TV with the interactive richness of the Internet. Development of this technology will require a market for cable set-top boxes that is open and competitive, he said.

At the same time, the progress of technology must not be allowed to erode consumer rights. Specifically, consumers should enjoy the same right to time-shifting and date-shifting that they have held in the past.

Consumer Rights Must Be Protected

"The content industries claim that digital copying will destroy their business, but this is the same claim they made about the VCR roughly 30 years ago," Cooper said. "Now they want to turn back the clock with devices like broadcast flags, that will control when, where, and how consumers view content."

"The FCC and Congress must remain committed to fair use, rather than rolling over to appease industry, as they are today," he said.

"Consumers will buy digital television products when there is compelling, available programming," Cooper added. "Today, only a couple of hours of high definition programming is available on a few stations each day."

Broadcasters must be confronted with firm deadlines for making digital programming available, he said. "They have been granted billions of dollars worth of publicly owned spectrum, but they have failed to offer the public anything in return."

"The FCC and Congress should compel them to do so," he said.

"If Congress and the FCC don't change course, there will be three clear results for consumers — higher prices, curbed fair use rights, and stifled innovation in consumer electronics products," Cooper concluded.

On the Web

http://www.consumerfed.org/backpage/092402cooper_digitaltv.html
<http://www.consumerfed.org/DTVTransition.pdf>

Groups Criticize IRS E-file Proposal

Disregarding concerns about potential predatory practices, the Internal Revenue Service (IRS) has announced a proposal to partner with commercial tax preparers to provide free electronic filing services. CFA, Consumers Union (CU), National Consumer Law Center (NCLC), and U.S. Public Interest Research Group (U.S. PIRG) wrote to the IRS in September urging the agency to cancel the proposed partnership.

Under the plan, the IRS would provide a direct link from its website to the websites of a consortium of commercial companies who have agreed to provide free online tax filing to a portion of their clients. "Taxpayers who use these so-called 'free services' will be a captive audience for commercial tax preparers seeking to sell outrageously expensive refund anticipation loans," warned CFA Consumer Protection Director Jean Ann Fox.

Refund anticipation loans are loans secured by a taxpayer's refund. Numerous problems associated with the loans, including APRs ranging from 65 percent to 774 percent, were documented in a report released earlier this year by CFA and NCLC.

The groups also expressed concern that:

- the proposed partnership does not appear to prohibit commercial preparers from charging extra fees (such as customer service fees) or "padding" their regular fees for other additional services (such as state income tax preparation) when taxpayers seek free services from those companies;
- providing a direct link from the IRS site to commercial preparers would imply an endorsement of those preparers; and
- the proposal fails to provide meaningful assistance to the neediest taxpayers — low income workers who are eligible for the Earned Income Tax Credit (EITC).

The agreement requires the commercial preparers to provide free services to 10 percent of their clients, but does not specify which 10 percent and does not require the preparers to serve EITC recipients. The vast majority of low-income taxpayers will not be able to access free services, because they do not use the Internet. Many low-income taxpayers do not have a bank account to take advantage of the best feature of electronic filing — speedier refunds if they are deposited directly.

The consumer groups urged the agency to scrap the proposed program and instead provide electronic filing directly to the IRS website and more free tax preparation services to low-income taxpayers. If the partnership goes forward, they recommended that the preparers be prohibited from selling refund anticipation loans to taxpayers who receive free services, from padding prices for other services, and from charging for customer service under the free services program.

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