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CFA

CONSUMER FEDERATION OF AMERICA

Lame Duck Congress OKs Terror Insurance Bill

Reconvening briefly after the November election, Congress passed terrorism insurance legislation that leaves taxpayers liable for billions of dollars in losses the insurance industry could easily afford to repay.

The president signed the bill in November.

"Congress and the president have created a terrible precedent, by offering free insurance to wealthy insurance companies," said CFA Insurance Director J. Robert Hunter.

The new law creates a three-year program in which the federal government is pledged to cover 90 percent of any terrorism losses, up to $100 billion a year, after individual insurance companies pay for an initial deductible.

On the **Hill**

Unlike the approach of the original House bill, which CFA had endorsed, the final bill approved by Congress requires insurers to repay little if any of that federal assistance in most cases.

Furthermore, the three-year program is likely to obstruct development of the private terror insurance market, Hunter noted. CFA research indicates that rapid growth of the private insurance market had made passage of a broad federal back-up bill both unnecessary and ill-advised.

Among the bill's most serious short-comings, it reduces incentives for insurers to require owners of buildings and other businesses they insure to improve security measures.

"By supplying free reinsurance to a wealthy industry, this plan makes America less safe," Hunter said.

Hunter also criticized the legislation for failing to require insurers to pass on the taxpayer subsidy to their policyholders.

CFA released a detailed actuarial analysis in November demonstrating that insurance companies subsidized by the law should offer substantial rate rebates to businesses that currently have terrorism coverage.

"Taxpayer back-up has lowered the risk and costs of commercial insurers literally overnight," Hunter said.

The typical business with terrorism coverage should get back about 40 to 50 percent of its premium for a full year, or 20 to 25 percent for a half year of remaining coverage, he said.

However, because the law doesn't require a refund, "it is up to businesses to demand it, and to consider cancelling their policy if they don't get it," Hunter said.

Under the law, businesses currently without terrorism insurance may also experience rate increases. That is because the law requires insurers to offer terrorism coverage for two years and gives insurers the unprecedented right to override existing policies in order to charge more for terrorism coverage.

The law expressly prohibits state insurance regulators from reviewing these rates before they take effect.

Bankruptcy Bill Dies Again

In a surprise to supporters and opponents alike, anti-consumer bankruptcy reform legislation that was considered all but a sure thing to pass in the lame duck session failed to muster the necessary votes to clear the House.

Because of a provision preventing abortion protestors and others from filing bankruptcy to avoid paying court-imposed fines, anti-abortion conservatives joined with opponents of the bill's underlying provisions to prevent the legislation from being brought to the floor for a vote.

House leaders subsequently stripped the abortion protest provision from the bill and passed it, but it died in the Senate.

"The bill died because it was taking hits from all over the political spectrum," said CFA

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Challenges Ahead For Consumers

As the result of the November elections, consumer advocates next year will face what may be their toughest political environment since the national consumer movement was founded.

With the White House and both houses of Congress controlled by Republicans, advocates are likely to be largely on the defensive.

"It's going to be a tough session no matter how you slice it," said CFA Chairman Sen. Howard Metzenbaum (Ret.).

Despite a few notable exceptions — such as terrorism insurance legislation — the Republican-controlled House was the primary source of anti-consumer legislation in the last Congress, while the Democrat-controlled Senate provided consumers with their strongest support.

By losing their razor-thin majority, Democrats lost the ability to set the Senate agenda.

On the other hand, Democrats' majority was never enough to push through legislation without the extra votes needed to over-come a filibuster. And the Republicans' new majority shares that same limitation.

"Anti-consumer legislation is still likely to originate in the House and face more scrutiny in the Senate," said CFA Legislative Director Travis Plunkett.

"However, unless Republicans and most Democrats act together in the Senate to block the inevitable 'special interest specials,'" he added, "bad legislation will have a better shot of passing the Senate in the next Congress than it did in the last."

As a result, "we are going to need a few friends who are willing to stand up," Sen. Metzenbaum said.

One factor that could play to consumers' advantage — the chairmanship of two key committees with jurisdiction over much of the consumer agenda will be in the hands of two of the Senate's most independent-minded Republicans, Sen. John McCain (R-AZ) over Commerce Committee and Sen. Richard Shelby (R-AL) over Banking Committee.

"The good news is that senators McCain and Shelby have a history of telling special interests to take a hike," Plunkett said. "Now, more than ever, consumers are going to need them to stand up for their rights."

Corporate Reform Implementation In Disarray

Implementation of corporate reform legislation, which seemed to be going well as recently as late September, had dissolved into disarray by the end of October.

"It is hard to imagine how a process that once appeared so promising could have been bungled more badly," said CFA Director of Investor Protection Barbara Roper. "Time and again this administration has shown that its loudly touted commitment to corporate reform is a sham."

The most serious blows involved appointment of the new board established by the recently enacted corporate reform bill to oversee auditors of public companies.

First, Securities and Exchange Commission Chairman Harvey Pitt apparently caved to accounting industry opposition and withdrew his support for outspoken reformer John Biggs to head the new board.

Then, a sharply divided SEC appointed a board that included none of the leading reform advocates. In addition, although there were any number of highly qualified candidates, two of the five individuals selected, including Chairman William Webster, had no identifiable expertise in the issues to be addressed by the board.

Ultimately, it emerged that Chairman Pitt and SEC Chief Accountant Robert Herdman had withheld information from other commissioners about Webster's involvement as an audit committee member at a technology company accused of accounting irregularities.

"Appointment of a strong, independent auditor oversight board was the most important responsibility entrusted to the SEC under the new corporate reform law," Roper said. "Instead, the Republican majority on the commission gave investors every reason to believe that the major accounting firms still controlled the process."

The scandal over the Webster appointment ultimately forced Pitt, Webster, and Herdman to resign in early November, though Herdman was the only one who had actually left his job when this issue of the newsletter went to press in mid-December.

Webster was still running initial meetings of the auditor oversight board, including a behind-closed-doors meeting with the accountants' trade association, the American Institute of Certified Public Accountants.

President Bush did nominate a successor for Pitt in December. William Donaldson is a founder of investment banking firm Donaldson, Lufkin & Jenrette and a former chairman of the New York Stock Exchange.

"Because he took no part in the recent debate over the best approach to corporate reform, it is too soon to tell whether Mr. Donaldson has the qualities that we view as essential in an SEC chair," Roper said.

Those qualities include "a recognition that the system of investor protections we have long touted as the best in the world is broken and a willingness to take on entrenched interests to fix it," she added. "Only someone with those qualities will be able to restore credibility to the corporate reform implementation process."

The Senate Banking Committee is expected to hold confirmation hearings soon after Congress convenes in January.

Meanwhile, in an effort to get the auditor oversight board back on track, the four remaining SEC commissioners were said to be conferring with Donaldson about appointment of a new chair for that body.

"Assuming, as early signs indicate, that the SEC and oversight board appointments move ahead on parallel tracks, we will know very quickly what sort of chairman Donaldson is likely to be based on what kind of head he supports for the auditor oversight board," Roper said.

"If he supports Biggs or someone very like him, that will be a positive sign," she said. "If, on the other hand, he supports someone viewed more favorably by the accounting firms, that will be a strong message that heads may have rolled, but very little else has changed."

Auto Sale Limits Cost Consumers Billions

State laws that prevent direct sale of automobiles to consumers over the Internet, restrict the location of dealers, and prevent competition in the provision of warranty and other auto-related services are costing consumers more than $25 billion a year without providing any consumer benefits, according to a CFA report filed with the Federal Trade Commission (FTC) in October.

In recent hearings, the FTC was told by a coalition of technology companies that just the barriers to Internet sales of autos cost consumers $25 billion a year. CFA conducted an economic analysis a year ago that estimated costs of $20 billion a year.

Furthermore, those figures do not take into account billions in additional savings that could be achieved with more competition for warranty work and for finance and insurance services that are sold with new automobiles, noted CFA Research Director and report author Mark Cooper.

"It's time for the Federal Trade Commission, which found these restraints on trade to be anti-competitive 15 years ago, to take another look," Cooper said.

"We are certain the FTC will find that these practices make even less sense in the Internet age," he added. "It should then intervene in court cases opposing these laws when they are filed."

More Efficient Auto Sales Prevented

The new CFA report, "Bringing New Auto Sales and Service into the 21st Century," updates last year's economic analysis and was submitted as part of the public record in a recent FTC workshop on possible efforts to restrict competition on the Internet.

The report demonstrates that these anti-competitive laws have effectively prevented e-commerce from increasing the efficiency of automobile distribution.

For example, having Internet-based services provide consumers with product information — including higher quality visual and video images that can be tailored and modified during the transaction — would reduce consumer dependence on car dealers for such data and enable a "quantum leap" in the quality of consumer information gathering.

Increasing integration of production with consumer preferences identified through online transactions could both dramatically reduce marketing and inventory costs and increase customer satisfaction.

Better car quality and computerized maintenance could break the strangle-hold that dealers have on warranty work, offering car owners the same choices, competition, and benefits obtained in non-warranty repairs.

"Even ancillary services should be subject to much more competition," Cooper said. For example, vigorous competition from financing companies would provide more choices than the dealer-controlled finance and insurance businesses in the showroom.

The report also refutes auto dealer claims that the current system provides other "social functions." "When these dealer claims are scrutinized, they simply don't hold up," Cooper said.

Dealer Claims Refuted

The report notes, for example, that, contrary to industry claims, neither the territorial exclusion nor the requirement that warranty work be provided by dealers is necessary for the purpose of licensing or certification to provide consumer protection.

In fact, continued certification and licensing without exclusive territories or dealer monopolies on warranty work would protect consumers at a much lower cost.

"The other public interest benefits that the industry claims for exclusive territories and restraints on trade in warranty service are even more of a stretch," Cooper said. "The only things these laws protect are the dealer monopolies in franchise areas and for warranty work."

"Auto dealers are an immensely powerful lobby at the local level, which is how they got the laws passed in the first place," he added, "but the recent hearings at the FTC made it clear that these are interstate barriers to trade that Congress should eliminated."

Technology Cannot Ensure Competition

The Internet has the power to empower consumers and promote competition, but it is not guaranteed to do so, CFA Chairman Sen. Howard Metzenbaum (Ret.) said in October testimony before the Federal Trade Commission (FTC).

Speaking at a hearing on anticompetitive practices in electronic commerce, Sen. Metzenbaum warned that, "It would be a critical mistake for policy makers to believe that the power of technology alone will ensure a consumer-friendly and pro-competitive environment."

"Public policy can hinder competitive pro-consumer electronic commerce or be the crux of its growth," he said.

The key, he said, is keeping access "open, unfettered, and unbiased."

If pro-consumer public policy is pursued, the Internet has the capacity to "create an environment that strengthens market forces on both the supply and demand side: reducing the middleman, enhancing consumers' ability to search, shop, and find information, and reducing barriers to entry into business."

"It is our hope that the Internet creates an environment that undermines companies' ability to exercise market power and to engage in anti-competitive practices," he said.

In reality, however, "many of the anti-competitive practices that I spent my career in the Senate fighting against have migrated onto the Internet," he said. "We must not allow these anti-competitive practices from the Old Economy to rob consumers of the benefits of the Internet."

"It is up to the FTC to regulate aggressively and enforce Internet public policy that embraces unfettered access, robust competition, and most importantly, policy that embraces the consumer, not big businesses," he concluded.

On the **Web**
http://www.consumerfed.org/FTCAutoRelease.html
http://www.consumerfed.org/autointernet.pdf

Anti-Consumer Microsoft Settlement Approved

A federal judge's November decision to approve the Justice Department (DOJ) settlement with Microsoft slammed the door on consumers' hopes for an effective remedy in the landmark antitrust case.

Federal District Court Judge Colleen Kollar-Kotelly rejected virtually all of the stiffer sanctions sought by nine state attorneys general who had refused to sign on to the DOJ's proposed settlement.

"By promoting competition and consumer options, the states' proposal would have saved consumers billions of dollars, encouraged innovation in the software industry, and promoted consumer choice," said CFA Research Director Mark Cooper. "The ineffective settlement proposed by the Justice Department and approved by the court does none of that."

While Judge Kollar-Kotelly did impose some additional obligations on Microsoft not included in the original settlement proposal — to share more information with competitors about its Windows operating system and to create a committee of board members to oversee compliance — she did not begin to address the serious concerns consumer advocates had raised about deficiencies in the proposed settlement.

CFA and other groups had criticized the proposed settlement for grossly mismanaging five key areas:

- effective enforcement, including substantial penalties for failure to comply;
- meaningful access by software developers to technical specifications and interfaces to develop products that run on the Windows platform;
- the ability of computer manufacturers to install non-Microsoft products without fear of retaliation;
- real choices for consumers between Microsoft and non-Microsoft products, assured by a desktop and boot screen that are competitively neutral; and
- protections in the business and government markets.

The ruling resolves, with a slap on the wrist, a case in which a federal appeals court found that Microsoft had repeatedly violated antitrust laws, Cooper said.

On The Hill

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Legislative Director Travis Plunkett.

"Supporters of the bill are in a bind," Plunkett said. "In order to pass the bill in the House, they need to strip out the clinic violence provision. But such a move might well doom the bill in the Senate."

SEC Gets No New Funding

When Congress passed corporate reform legislation this summer, it authorized a dramatic and much needed increase in funding for the Securities and Exchange Commission (SEC), from $438 million in 2002 to $766 million in 2003.

The Senate appropriations committee approved a $750 million SEC budget, but the House failed to act.

Furthermore, although the president touted the funding increase in signing the bill, he quickly began to back-pedal. By October, he was pushing a far more moderate increase to $568 million.

So far, the SEC has not received even that inadequate increase.

That is because Congress failed to take up the appropriations bills during its lame duck session, and instead funded the government through January 2003 with a continuing resolution.

That bill continued to fund the SEC at 2002 budget levels.

"In passing corporate reform legislation, Congress heaped massive new responsibilities on an already badly over-burdened agency," said CFA Director of Investor Protection Barbara Roper.

In addition to the strains imposed by dozens of rule-makings and a record number of enforcement actions, the agency must bear the initial costs of setting up a new auditor oversight board.

"Authorizations without appropriations are meaningless," Roper added. "Congress must demonstrate that its bipartisan support for a $766 million budget authorization was not all show by acting quickly to appropriate the money when it reconvenes in January."

In December, meanwhile, the president announced support for a $800 to $850 million SEC budget in 2004, but said nothing about the agency's immediate funding crisis.

"While we consider it a positive sign that the administration has once again shifted course on this issue, the funding cannot wait a year," Roper said. "The administration must make clear its support for an immediate, dramatic funding boost."

On the **Web**
http://www.consumerfed.org/disastersignrelease.
html http://www.consumerfed.org/disasterrateanalysis.html

Hearings Urged On Media Ownership Rules

More than 40 national and local consumer, civil rights, and media advocacy organizations wrote to the Federal Communications Commission (FCC) in October calling on that agency to hold field hearings on its recently announced proceeding to relax media ownership rules.

The groups based their request on two arguments: that the proceeding threatens media diversity and democracy, and that it is not supported by public opinion. The letter was sent in support of an earlier request for hearings by FCC Commissioner Michael Copps.

As part of its review, the FCC is considering eliminating or weakening rules that:

• prohibit a broadcaster from owning television stations that reach more than 35 percent of U.S. homes;

• prohibit a company from owning both a television station and a newspaper or radio station in the same market;

• cap the number of television or radio stations that can be owned in a single market; and

• prevent companies from owning more than one of the four major broadcast networks.

"These rules are designed to ensure diversity of media voices," said CFA Research Director Mark Cooper.

Public Supports Media Diversity

"Pencil and paper proceedings in Washington cannot do justice to the issues raised by these proposals, especially in light of surveys showing that the FCC is out of step with public opinion," he added.

The groups submitted a CFA report with their letter that examines public opinion surveys from the past several years and shows that "the public's view of media concentration and the control of digital communication networks stands in sharp contrast to the policies pushed by the FCC."

On the issue of media ownership, for example, the report presents results of a recent opinion survey which found that:

• 70 percent of respondents believe media companies are becoming too large;

• by a three-to-one margin (49 percent to 17 percent), respondents felt that cross-media mergers, such as mergers between local broadcast and newspaper outlets, are bad for the country; and

• respondents felt that cross-media mergers would create less diversity in editorial points of view (49 percent to 18 percent) and in points of view in covering local news (39 percent to 21 percent).

"By the FCC's own admission, this rulemaking 'marks the beginning of the most comprehensive look at media ownership regulation ever undertaken by the FCC,'" the groups wrote. "Field hearings would be much more accessible to average citizens and would enable the Commission to hear from those individuals whose access to the media is most directly affected by these decisions."

Public Duty, Open Networks Also Supported

The report, "Public Support for a Citizen-Friendly Media and Communications Industry in the Digital Age," also shows strong public support for other policies threatened by the current FCC leadership, including the public interest obligation for both television and the Internet and open communications networks.

For example, nearly two-thirds of respondents (63 percent) on a recent survey said that broadcasters will just maximize profits if not directed to air public interest programming.

Approximately 70 percent say broadcasters should be required to provide more educational programming, and that figure rises to 85 percent when the new digital spectrum can be used for this purpose.

Survey respondents also strongly object (89 percent) to being forced to use the ISP affiliated with their cable company or to being forced to pay more for the privilege of choosing an ISP not affiliated with their cable company (78 percent).

"As proceedings to consider the rules governing media ownership and the flow of information over communications networks play out at the FCC, it is critical that policymakers recognize that the public has a vision for democratic mass media and advanced communications networks that is much more consumer- and citizen-friendly than the apparent view of the Chairman and the majority at the FCC," Cooper said.

On the **Web**
http://www.consumerfed.org/MediaSurvey10.31.02.pdf
http://www.consumerfed.org/PowellLetter10.31.02.pdf

Groups Criticize FERC Electricity Proposal

The proposal developed by the Federal Energy Regulatory Commission (FERC) to standardize the structure and operation of the wholesale electricity market nationwide is not in the public interest, CFA and Consumers Union (CU) concluded in comments submitted to the agency in November.

The comments, prepared by CFA Research Director Mark Cooper, were filed in response to FERC's notice of proposed rulemaking on its Standard Electricity Market Design (SMD).

"Forcing all regions of the country to rely on single price auction in spot markets and basing transmission services on a pricing principle that charges 'whatever the market will bear' with no relationship to actual costs will not result in just and reasonable rates or promote efficient service," they concluded.

The groups' opposition is founded on two key concerns: that the proposal violates the Federal Power Act's requirement that electricity rates be just and reasonable; and that it would not protect consumers from the type of manipulative behavior engaged in recently by energy traders such as Enron.

"Electricity markets around the country are in turmoil and consumers' electricity service is becoming more costly and risky," Cooper said. "Rather than bring stability to markets, this proposal will introduce more costs and more risks for consumers."

FERC has suggested that the proposal is needed to address discrimination in access to transmission services in the interstate market. However, the nature and extent of discrimination does not justify the radical change proposed by the FERC, the groups concluded.

"This cure is far worse than the disease," Cooper said.

The comments provide a detailed critique of the FERC plan and propose an alternative that would allow the FERC to deal with any problems of undue discrimination without undermining the basis for just and reasonable rates in interstate jurisdiction.

The following principles underlie that analysis and proposal:

• structural conditions for competition must be created first;

• excessive scarcity rents must not be allowed; and

• market power mitigation must be much more aggressive.

In light of these concerns, CFA and CU called on FERC to withdraw its proposal.

"The FERC's efforts to create a standard market design are vastly premature," Cooper said.

"The FERC should withdraw approval of the market-based rates allowed under the fundamentally flawed approach that gave rise to the pervasive patterns of abuse that have taken place in these markets," he added.

The agency "needs to start with a clean slate and build an open and adequate transmission system and transparent information institutions," he said.

On the **Web**
http://www.consumerfed.org/FERCSmdrelease.html.
http://www.consumerfed.org/FERCsmdcomments.pdf

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Comptroller Deals Blow To Payday Lender

The Office of the Comptroller of the Currency (OCC) took action in late October to prevent payday lender ACE Cash Express, Inc. from using a national bank charter to circumvent state usury and small loan laws in 18 states and the District of Columbia.

The action prevented ACE from "renting" the charter of Goleta National Bank, a small California bank, in order to make payday loans under terms that violate state laws meant to protect financially vulnerable consumers.

The agency's action was prompted in part by ACE's failure to safeguard customer files on loans issued by Goleta. OCC also found that ACE was guilty of unsafe and unsound practices, including making repeated excessive exceptions to Goleta's policies and procedures.

Meanwhile, Goleta was found to have failed to manage its relationship with ACE in a safe and sound way.

This was the third time this year that OCC has taken action against a national bank on safety and soundness grounds for partnering with payday lenders.

"We applaud the Comptroller for taking strong action," said CFA Consumer Protection Director Jean Ann Fox. "These relationships misuse banks to evade state consumer protection laws."

Although the Comptroller's action is important, Fox noted, it will not stop the practice of payday lenders' shopping for federally insured banks to offer rent-a-bank payday lending.

"Congress must pass legislation to take banks completely out of the payday lending business to protect consumers from usury," she said.

On the **Web**
http://www.consumerfed.org/102902_crackdown.html
http://www.consumerfed.org/paydayreport.pdf

Listeria Outbreak Called Avoidable

A Listeria outbreak that killed 27 and sickened 130 in eight northeastern states earlier this year has led to intensified charges that the Bush Administration has been negligent on meat safety.

The outbreak, which was the third major food poisoning outbreak of the year, could have been avoided had the Agriculture Department (USDA) proceeded with a Clinton-era regulation requiring meat processors to test plants and products for Listeria, said Carol Tucker Foreman, Director of CFA's Food Policy Institute.

The outbreak resulted in the recall of 27 million pounds of ready-to-eat poultry products, the largest meat safety recall in history. However, that recall "came too late for the unsuspecting Americans poisoned by Listeria monocytogenes," Tucker Foreman said.

In addition to dropping the ball on testing, Tucker Foreman faulted USDA for permitting meat and poultry companies to mislabel as "ready-to-eat" hot dogs, lunch meats, and other products that carry Listeria.

Listeria monocytogenes is a particularly virulent pathogen that kills 20 percent of those it infects, or about 500 people a year, according to the Centers for Disease Control. Most at risk are the elderly, unborn babies, and those with chronic illnesses.

Warning Labels Needed

Although it thrives under refrigeration, the pathogen normally is destroyed when products are cooked to at least 160 degrees.

For that reason, products such as hot dogs and lunch meat that carry the pathogen should be reheated by consumers in high risk groups.

"If you are elderly, pregnant, or immune suppressed, these products are far from 'ready-to-eat,'" Tucker Foreman said. "If it is not possible to say they require reheating, USDA should require warning labels on them saying they are not safe for pregnant women, the elderly, or the immune suppressed."

The Listeria outbreak began in mid-July but wasn't widely reported until mid-October, when the recall of fresh and processed turkey and chicken products was announced by Wampler Foods, a division of Pilgrim's Pride Corporation.

Consumer advocates and members of Congress questioned why it took the Bush Administration so long to confirm a link between the food poisonings and the Wampler plant.

School Lunch Sales Kept Secret

Tucker Foreman also criticized USDA for not volunteering the information that nearly two million pounds of the recalled meat had been purchased for use in the school lunch program.

"Elementary school students are among those vulnerable for Listeria infection," she said. "The Agriculture Department knew the meat was distributed to schools but kept that information secret. Why?"

Four influential House members, led by Rep. Henry Waxman (D- CA), have also suggested that USDA may have missed opportunities to prevent the outbreak. Among other things, they said Wampler's own tests found Listeria in the plant, but the company failed to disclose this to USDA.

The testing regulation drafted during the Clinton Administration would have required Wampler to make these test results available to the government, they added.

The Listeria outbreak came on the heels of two major E. coli outbreaks this summer and fall that between them sickened more than 100 people and killed one.

In response to those outbreaks, USDA announced stepped up government testing for E. coli and Listeria and efforts to initiate meat recalls more quickly. It also appointed a new food safety chief in July with strong public health credentials who has proved to be more attuned to consumer concerns.

While applauding these moves, Tucker Foreman said the Bush Administration has a long way to go — and much more to do — to gain the confidence of consumers on meat safety.

In addition to the Listeria testing requirement, CFA has advocated more and earlier testing for E. coli as well as giving USDA clear authority to close plants that fail tests for Salmonella, to force recalls when it suspects food products are contaminated, and to fine companies for violating food safety laws.

Tucker Foreman attributed the recent rash of outbreaks to a faulty government meat inspection system and a relaxed attitude toward meat safety by the Bush Administration. The administration attitude has translated to less vigilance on the part of meat and poultry processors, she said.

Lax Administration Attitude Undermines Safety

As proof of the changed attitude, Tucker Foreman cited:

- the administration's failure to act on the Listeria rule;
- its failure to appeal a court decision limiting USDA's authority to close meat plants whose products repeatedly test positive for Salmonella;
- media reports that some Midwest meat inspectors were encouraged not to slow production lines if they find problems; and
- repeated safety violations at the Wampler plant in the months leading up to the Listeria outbreak that were either ignored completely or not handled correctly by USDA.

"The Bush Administration has not taken meat and poultry safety seriously," Tucker Foreman said. "It has not pushed meat companies to make sure their products are safe, and it has not acted aggressively when a food safety problem is discovered."

On the **Web**
http://www.consumerfed.org/101302_listeria_recall.html
http://www.consumerfed.org/071902conagra.html
http://www.consumerfed.org/071002_tucker_statement.html

Big Ticket Items Top Annual Complaint List

Home improvement contracting topped the list of consumer complaints filed with state and local consumer protection agencies in 2001, followed by complaints about household goods and auto sales and service, according to the eleventh annual consumer complaint survey released in November by CFA and the National Association of Consumer Agency Administrators (NACAA).

"While cross-border investigations and Internet fraud are headline grabbers, the majority of consumers find their problems in everyday issues, such as building a deck or buying a car," said NACAA Board Member Stephen Hannan.

Consumer agencies across the country were each asked to list the categories that generated the most complaints in 2001. The top eleven problem areas, with the percentage of agencies that listed each, were: home improvement (59%), household goods (54%), automotive sales (51%), automotive repairs (46%), credit/lending (42%), business practices (32%), services (24%), telecommunications (20%), and collections, pyramids and business opportunities, and recreation and vacations (all at 17 percent).

Home improvement was also named as the fastest growing complaint category and as the industry in which a company was most likely to go out of business and to reopen under another name.

The survey also explored the growing trend of federal preemption of state consumer protection laws. NACAA members singled out financial and Internet privacy, interstate moving, rent-to-own and payday lending, and the airline industry as having weak federal laws that set the ceiling for state protections or that prevent state and local law enforcement officials from bringing cases to protect their constituents.

"Agencies that are closest to consumers are being denied the authority to enforce stronger state laws," said CFA Director of Consumer Protection Jean Ann Fox. "States should be able to enact stronger protections and to close loopholes exploited by industries, such as rent-to-own and payday lending, that attempt to evade state protections."

The survey also revealed a continuing trend of consumer agencies' being forced to handle a growing caseload with largely stagnant budgets. Survey results indicate that NACAA members handled 23 percent more complaints in 2001 than in 2000, but with only a seven percent increase in their budgets. Since 1997, agency budgets have grown only 12 percent while caseloads have increased 46 percent.

On the **Web**
http://www.consumerfed.org/112502_NACAA.html
http://www.consumerfed.org/NACAAreport.pdf

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