

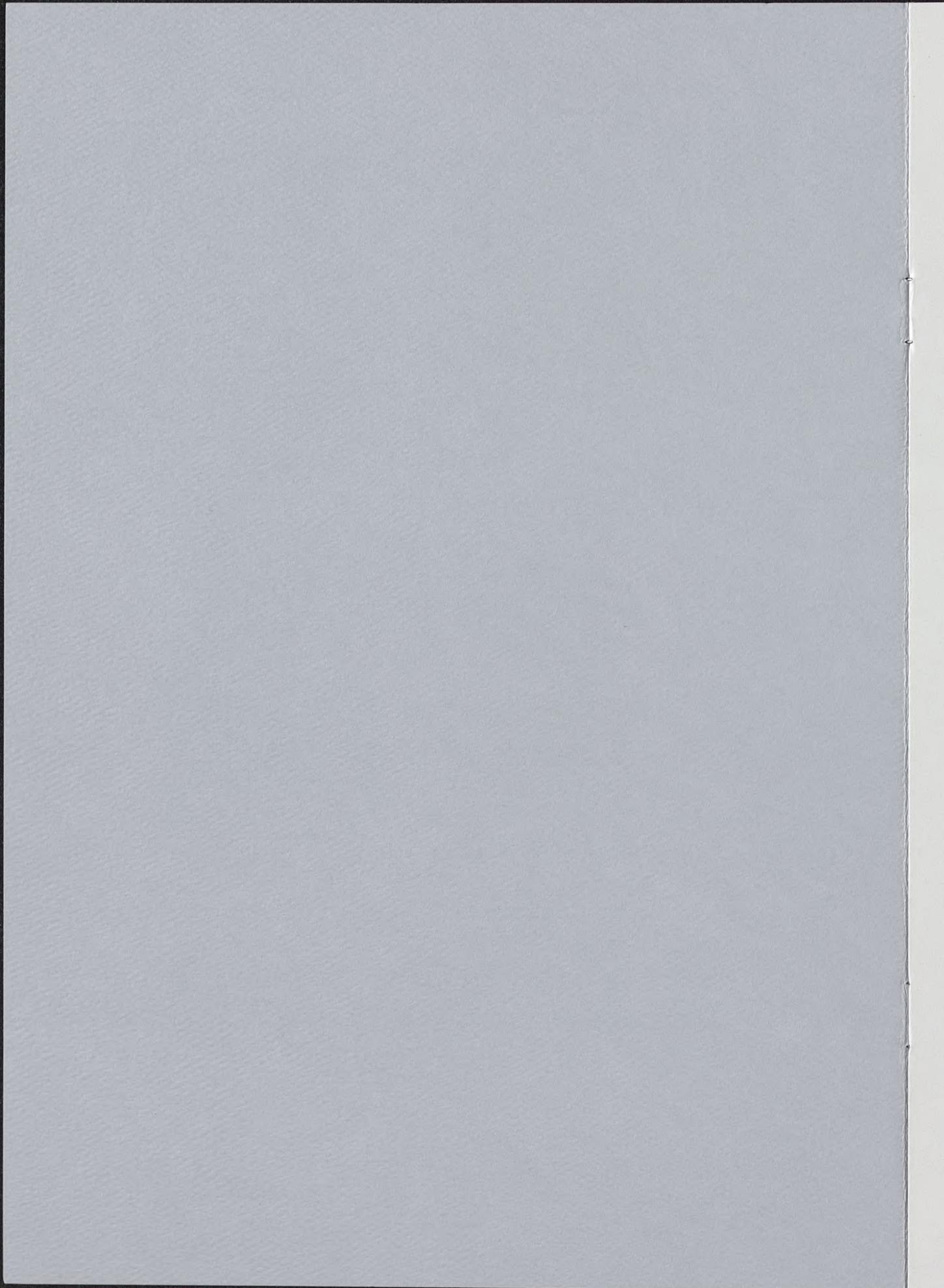
Consumer Federation
of America



1987

ANNUAL REPORT

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



Dear CFA Member,

I am pleased to submit the following report on CFA's activities and accomplishments.

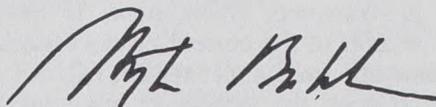
The most significant development in 1987 was the growth of our legislative and regulatory advocacy. Staff took leadership on more issues, prepared more studies, submitted more testimonies and comments, and lobbied more Congressional offices than in any year of the past decade. 29 Congressional testimonies and 12 regulatory and judicial interventions are evidence of this heightened activity.

This increased advocacy was largely responsible for our rapidly expanding press coverage. For the first time, CFA exceeded its annual quota of 1200 articles from a clipping service. Most of these clips resulted from the 18 separate news stories we generated.

In part, this expanded advocacy and press coverage were made possible by the creation of a new product safety legislative position. Also, part-time secretarial and conference assistant positions were added. To accommodate a larger staff, our office space was enlarged.

Although income fell, producing an end-of-the-year deficit, the organization remained solvent. Moreover, the continued expansion in membership, currently at 250, and extensive news coverage of our new airline guide, *How to Fly*, represented two of several new revenue sources.

These and other successes, however, would not have been possible without your support and encouragement. I and the rest of the CFA staff thank you for both and look forward to working with you in the coming year.



Stephen Brobeck
Executive Director
February 6, 1988

Advocacy

Major Accomplishments

CFA staff took leadership or co-leadership on a number of important issues. Progress was made on each.

Consumer Banking Reforms: A consumer coalition led by CFA, Consumers Union, and Congress Watch succeeded in moving several consumer banking bills in Congress. Check hold limits and a lifetime interest cap on variable rate mortgage loans were included in omnibus banking legislation that passed both houses and was signed into law. Credit card disclosure bills were passed by the House and Senate and will surely be approved early in 1988. Truth in savings legislation was passed by the House and is likely to move in the Senate in the spring. Home equity loan consumer protections began to be considered by both houses. The Senate rejected an amendment requiring bank cashing of government checks but directed the General Accounting Office to study the issue. CFA's contributions to these successes included not only hundreds of hours of lobbying, but also conducting highly publicized home equity loan, bank fee, and check cashing surveys; helping initiate a nationwide "fight or switch" credit card campaign, and releasing a "smoking gun" letter from VISA opposing lower credit card rates.

Consumer Product Safety Commission Reforms: Spurred by a major CFA report on Consumer Product Safety Commission performance, Congress moved CPSC reauthorization bills that included provisions for reform of the agency. CFA product safety experts worked closely with Congressional staffers in developing and advocating legislation that was approved by a House Energy and Commerce subcommittee and by the full Senate Commerce Committee. CFA collaborated with the New York State Attorney General's Office to compel CPSC actions. The two organizations filed a petition with the CPSC requesting a more stringent small parts requirement, and filed a lawsuit challenging the CPSC's failure to limit the concentration of methylene chloride in consumer products. CFA also lobbied the CPSC on such other products as lawn darts, swimming pool safety, and cigarette lighters, releasing a major report on the latter.

Telephone Rate Restraint: CFA's telephone-related advocacy was largely defensive; it was directed toward opposing local and long distance company attempts to generate additional revenue from residential customers. In Washington, the Federal Communications Commission served as the point man for the industry, seeking to increase subscriber line charges collected by local companies and to replace rate-of-return regulation with price caps for interstate carriers. CFA lobbied Congress on both issues, filed comments on the FCC's long distance proposal, and released two widely-publicized reports on phone company rate increases and profitability. We also filed comments, gave oral arguments, and filed reply comments to Judge Greene, who was re-evaluating the original terms of divestiture. As of year end, all these issues were unresolved.

Product Liability: After failing in the Senate last year, tort reform advocates succeeded in persuading House leaders to move compromise legislation. CFA advocates spent hundreds of hours seeking pro-consumer amendments to the bill. We also released a major study on the consumer benefits of the current product liability system. A House Energy and Commerce subcommittee approved a tort reform bill, but co-sponsors promised to consider consumer amendments when the legislation was considered by full committee in 1988.

Indoor Air Pollution: CFA continued its campaign to persuade Congress and regulatory agencies to reduce hazards associated with indoor air pollution. We worked with Senator Mitchell to develop comprehensive legislation to address these threats, then lobbied and testified on its behalf. We lobbied in support of radon control legislation, which passed the Senate and was approved by a House subcommittee. We participated in a coalition to enact a limited ban on smoking aboard airplanes, which passed both houses and was signed into law. On another front, as noted above, we sued the CPSC to limit concentrations of methylene chloride in consumer products. Staff also lobbied the CPSC on formaldehyde in pressed wood products and on asbestos in consumer products.

Antitrust Exemption for Beer Wholesalers: As they had for the past six years, beer wholesalers again sought legislation granting them antitrust immunity. And it appeared they had the votes to pass legislation in the Senate. But the anti-“beer bill” coalition, with CFA as the lead consumer group, worked with Senators Metzenbaum and Thurmond to devise a strategy to detoxify this legislation in subcommittee. Here, tough anti-alcohol labeling and moderating “rule of reason” amendments were approved, leading the beer industry to turn against the legislation.

Coal Rail Rates: Since Congress deregulated railroads in 1981, carriers have raised the price of coal transportation to electric utilities, which have passed on these increases to their customers. To restrain further hikes, CFA, the National Rural Electric Cooperative Association, and the American Public Power Association led a coalition to amend the original deregulation law. CFA’s role in the coalition included lobbying, giving testimony, and preparing a report on railroad market power. A House subcommittee approved reform legislation.

Strategies

CFA pursued several different strategies in advocating more than 40 consumer issues considered by Congress and federal regulatory agencies in 1987. These strategies included Congressional and regulatory lobbying, coalition building and grassroots networking, advocacy-related research, and dissemination of information to the press.

1. Congressional and Regulatory Lobbying

CFA’s principal lobbying strategy was communicating information and viewpoints to Congressmen, Congressional staffs, and regulators. Most of this lobbying took place in individual conversations and small meetings. But its extent is suggested by the number of testimonies, comments, petitions, and court filings submitted to Congressional committees, regulatory agencies, or the courts.

Month	Committee	Witness	Issue
February	House Banking	Fox	Check holds
	Senate Banking	Fox	Check holds
	Senate Banking	Fox	Consumer issues
	Senate Judiciary	Cooper	Insurance
	House Banking	Fox	Consumer issues
March	Federal District Court	Kimmelman	Telephone divestiture
April	CPSC	Fise	Toy safety
	CPSC	Fise	CPSC priorities
	House Energy and Commerce	Kimmelman	Phone access charges
	Senate Banking	Fox	Credit cards
	Senate Environment	Brobeck/ Weiss	Indoor air quality
May	Senate Commerce	Fise	CPSC reauthorization
	House Energy and Commerce	Fise/Weiss	Indoor air quality
	House Banking	Fox	Savings disclosures
June	Federal District Court	Kimmelman	Telephone divestiture
	House Energy and Commerce	Fise/Weiss	CPSC reauthorization
	House Energy and Commerce	Kimmelman	Product liability
	House Energy and Commerce	Cooper	Railroads
	Senate Commerce	Cooper	Railroads
	Senate Finance	Cooper	Oil industry taxes
	House Public Works	Cooper	Airline bankruptcy
July	Senate Banking	Fox	Consumer issues
	Senate Banking	Cooper	Banks and insurance
	House Energy and Commerce	Kimmelman	Aviation product liability
	CPSC	Fise	Methylene chloride

Advocacy

Month	Committee	Witness	Issue
September	Senate Commerce	Kimmelman/ Cooper	Product liability
	House Energy and Commerce	Cooper	PURPA
October	House Energy and Commerce	Weiss	CPSC reauthorization
	CPSC	Fise	Bunk beds
	House Banking	Fox	Home equity loans
	Federal Reserve Board	Fox	Adjustable rate mortgages
November	FCC	Kimmelman/ Cooper	Long distance rate caps
	House Energy and Commerce	Kimmelman	Phones
	Federal District Court	Kimmelman/ Cooper	Information services
	Senate Environment	Brobeck/ Weiss	Indoor air pollution
December	Senate Banking	Fox	Home equity loans
	CPSC	Fise	Cigarette lighters
	Senate Commerce	Kimmelman	Phones
	FCC	Kimmelman/ Cooper	Long distance rate caps
	CPSC	Fise	Lawn darts
	House Banking	Fox	Financial services restructuring

2. Coalition and Grassroots Network Building

CFA's unique character as a federation of national, state, and local organizations provided opportunities to build and maintain Washington-based coalitions and nationwide grassroots advocacy networks. We took the lead in sponsoring or co-sponsoring coalitions against the "beer bill," telephone access charges, and product liability legislation, and for consumer banking protections, CPSC reforms, coal rail rate amendments, and control of indoor air pollution. In addition, on several of these issues we called on members of our two grassroots networks—state and local member groups and the Consumer Product Safety Network—for support. Network members and others participated in conferences on telephones, banking, and electric utilities that were organized by CFA to increase awareness on these issues.

3. Public Education: Publications

CFA staff prepared a number of studies demonstrating the need for new legislation or the preservation of existing protections. Most of the following publications were reported on by the news media.

General	<i>CFA's 1986 Congressional Voting Record</i> —A record of how members of Congress voted on consumer issues together with an analysis of patterns and trends.
Financial Services	<i>Bank Fees on Consumer Accounts</i> —The fourth annual multi-city survey of fees and terms on consumer accounts.
	<i>Home Equity Loan Survey</i> —A nationwide survey of the costs and advertising of home equity loans at banking institutions.
	<i>National Survey of Check Cashing Outlets</i> —A nationwide survey of the charges at check cashing offices.

Financial Planner Abuses: A Growing Problem—A report that explains abuses and evaluates regulatory solutions.

Confusion and Excess Cost: Consumer Problems in Purchasing Life Insurance—An exposé of the overpricing of insurance and failure of agents to adequately disclose price information.

A Consideration of Bank Entry into Insurance—An analysis of the pros and cons of bank sale of insurance.

Telephones *Divestiture Plus Four: Take the Money and Run*—A report documenting high profitability of local phone companies at the expense of residential ratepayers.

Product Liability *The Benefits of the Modernization of Tort Law*—An analysis showing that the current liability system saves thousands of lives and prevents millions of injuries each year.

Product Safety *The CPSC: Guiding or Hiding from Product Safety?*—A critique of the recent performance of this safety agency.

Up in Flames: the Deadly Consequences of Children Playing with Cigarette Lighters—An analysis of child injuries caused by these lighters demonstrating that these devices are not safe.

4. Public Education: Press

In addition to reacting to numerous stories, CFA frequently made news. In 1987, we generated 18 separate consumer stories that were reported on by the national press. Much of the coverage resulted from 21 advocacy press releases issued by CFA, from eight CFA-sponsored press conferences, and from participation in seven others.

Print coverage included more than 2000 articles in newspapers and magazines including *Congressional Quarterly*, *National Observer*, *Newsweek*, *Business Week*, *U.S. News and World Report*, *The Washington Post*, *New York Times*, *Wall Street Journal*, and *USA Today*. CFA staff were interviewed on CBS Evening News (3 times), ABC Evening News (twice), NBC Nightly News, the MacNeil-Lehrer Report, CBS Morning News, ABC Business Digest, CBS Nightwatch (twice), CBN, and It's Your Business.

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Conferences and Special Events

The most important CFA meetings were held during a four-day period in February. The most widely publicized was Consumer Assembly '87, the nation's largest annual consumer conference. The more than 500 persons in attendance heard speakers including Representative Joseph Kennedy, Federal Trade Commission Chairman Daniel Oliver, New York State Attorney General Robert Abrams, Alfred Kahn, Robert Reich, Michael Pertschuk, and Robert Greenstein, among others, address issues related to the theme of "Pocketbook Populism: Consumer Initiatives in a New Political Environment."

During this week, representatives from CFA member groups conducted the business of the federation. Members of 16 policy subcommittees met to review past policies and to recommend new ones. These recommendations were submitted and voted on at the Annual Meeting, where Board members and CFA officers were also elected.

To address specific issues more thoroughly, CFA also organized three issue conferences attended by member representatives. In May, 260 persons met to discuss issues affecting

Member Services

utilities and their residential customers. Among the speakers was Representative Philip Sharp, Chairman of the House Energy and Power Subcommittee. In October, 200 attended the fifth annual "Telephone Issues in the States" conference, which was addressed by Federal Communications Commission Chairman Dennis Patrick and other speakers. Then in December, 180 advocates, regulators, and industry representatives heard Senator Chris Dodd, Representative Bruce Morrison, Comptroller of the Currency Robert Clarke, and others speak at a financial services conference focusing on consumer issues.

At the June Awards Dinner, more than 500 persons honored Senator William Proxmire, Representative Don Edwards, Steelworkers Legislative Director Jack Sheehan, Michigan Citizens Lobby, and Jane Bryant-Quinn.

Publications

CFA member organizations received three regular publications and a directory:

- Eight issues of CFA's newsletter, *CFAnews*, which reports consumer news and CFA advocacy in Washington.
- Four issues of the *CPSNewsletter*, which covers safety issues dealt with by federal safety agencies.
- Four issues of a quarterly newsletter, *Indoor Air News*, which reports on the indoor air activities of advocacy groups, scientists, regulators, and business organizations.
- An updated *Directory of State and Local Consumer Groups*, with a listing of more than 400 grassroots consumer advocacy organizations.

In addition, we published the 1987 policy resolutions adopted at the Annual Meeting and the 1986 Congressional Voting Record, CFA's rating of Congressional performance on consumer issues.

State and Local Resource Center

CFA's State and Local Resource Center exists to strengthen state and local member groups by supplying them with information, technical assistance, and resources. The Center prepared and sent eight mailings with information on state issues, new publications, group news, and funding opportunities. Throughout the year, CFA staff responded to several hundred informational requests from representatives of member groups. We also coordinated a 20-state survey on bank fees.

The Resource Center's state and local grants fund continued to make small grants to help state and local groups strengthen their organizations. 13 applicants for funding received grants totalling more than \$10,000.

CFA also provided some \$14,000 in travel grants to grassroots activists to attend Consumer Assembly and the three issue conferences. A primary purpose of these meetings was to brief advocates on pressing issues and to provide them opportunities to share information and strategies.

Finally, CFA staff accepted several invitations to address member groups. Presentations were made at meetings of the American Association of Retired Persons, the Brotherhood of Maintenance Way Employees, the Ohio Consumer Association, the Defense Credit Union Council, the Consumers League of Ohio, the Michigan Credit Union League, the Maryland Credit Union League, and the D.C. Consumer Office. Speeches were also given at consumer meetings in Washington, Salt Lake City, Atlanta, Philadelphia, and Cleveland.

Membership Development

Last year, 25 applications for membership were approved. This brings to 93 the number of new members since February 1985 and to 250 the total number of CFA members. This campaign, on which staff and Board members worked, recruited groups from all CFA constituencies. New members included five national or local consumer advocacy organizations, six local protection or educational agencies, eight credit union groups, five rural electric cooperatives or public power systems, and one labor organization.

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During the past several years, CFA has expanded its services to individual consumers. This outreach has increased CFA's visibility, has generated revenue, and most importantly, has met consumer needs.

Tele-Consumer Hotline

In 1984, CFA joined with the Telecommunications Research and Action Center, a CFA member, to establish a new information service for those confused by recent changes in phone service. This Tele-Consumer Hotline was set up as an independent organization that maintained a toll-free hotline number and mailed free fact sheets and other information on specific aspects of service. Managed by CFA and TRAC, over the past three years the Hotline has served more than 125,000 individual consumers and has reached millions more through extensive media coverage. It also offers special services to those with disabilities, including a shopping guide for the disabled.

Publications

Last year, as well as distributing several pamphlets and books prepared between 1983 and 1986 for a general consumer audience, CFA released a new book-length consumer guide, revised a popular pamphlet, and initiated a trade union consumer information service. In December, *How to Fly* was released and extensively reported on by the news media. This 204-page consumer guide represents the first comprehensive guide to domestic airline travel, including service and fare ratings. Earlier in the year, "Your Savings Options" was revised and released. Nearly 150,000 copies of this pamphlet were distributed. In mid-year, a monthly consumer information service for labor unions began servicing more than 20 trade union subscribers.

Finances

After building up cash reserves to more than \$300,000 over a period of seven years, CFA ran a deficit in 1987, principally because income declined by nearly \$85,000 from 1986 to 1987. Most of this decrease reflected late solicitation and payment of \$15,000 in dues and the absence of income from an indoor air quality conference, on an 18-month cycle, that normally generates \$40,000 in revenues. At \$278,000, cash reserves remain above the target floor of \$250,000, which represents approximately five months expenditures.

	1986	1987
Income	\$634,112	\$549,687
Expenses	593,387	571,500
Surplus (deficit)	40,725	(21,813)
Total Fund Balances (end of year)	\$326,169	\$304,689

Consumer Federation of America Staff

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Research Director:	<i>Mark Cooper</i>
Public Affairs Director:	<i>Jack Gillis</i>
Product Safety Director:	<i>Mary Ellen Fise</i>
Legislative Representative:	<i>Susan Weiss</i>
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Conference Manager:	<i>Barbara Tracy</i>
Newsletter Editor:	<i>Barbara Roper</i>
Administrator:	<i>Kent Taylor</i>
Legislative Aide:	<i>Karen Hoehn</i>
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