



CFA news

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Senate Lifts Ban On Bell Manufacturing

Consumers suffered a major setback when the Senate voted 71-24 in June to allow the nation's seven Bell telephone companies to design and manufacture telecommunications equipment, including equipment for their own networks.

The Bell companies were prohibited by the AT&T breakup consent decree from engaging in equipment manufacturing because of the potential for monopoly abuses.

S. 173, which was introduced and pushed hard by Senate Commerce Committee Chairman Ernest "Fritz" Hollings (D-SC), "contains no concrete safeguards to prevent the phone companies from overpricing their equipment, driving up unregulated corporate profits while adding costs to basic monopoly services," said CFA Legislative Director Gene Kimmelman.

"The Bells' track record of ratepayer abuses and the history of inadequate regulation demonstrate that consumers would bear significant risks and suffer from inflated rates for the most essential phone services if the Bell companies are allowed into the manufacturing market," Kimmelman added.

The bill would allow the Bell companies to engage in research and development, fabrication, and joint ventures for all the equipment in their networks. The Bells would not be required to buy anything from unaffiliated, competitive-market equipment vendors.

"In short, nothing in the legislation provides consumers any assurance that basic, local telephone rates will not go up as a result of Bell manufacturing activities," Kimmelman said.

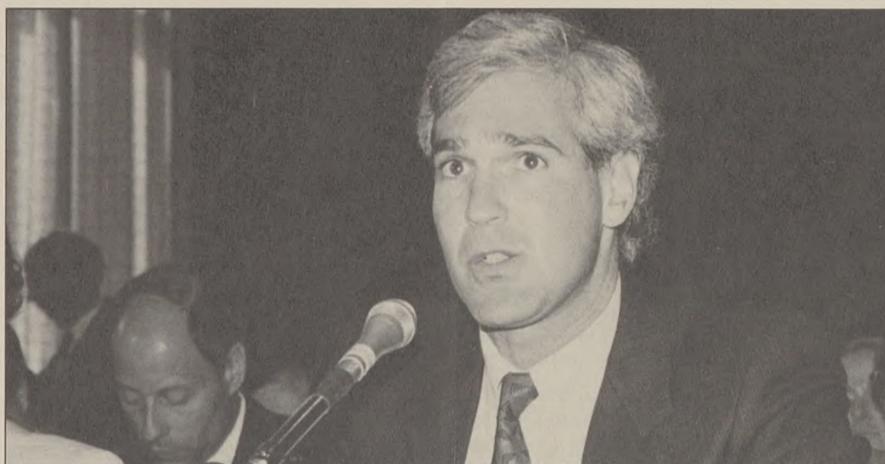
House Expected To Impose Stronger Protections

Companion legislation has been introduced in the House, where Telecommunications and Finance Chairman Edward J. Markey (D-MA) is expected to require stronger consumer protections in any legislation reported out of his subcommittee.

To date, the House has held one hearing on the issue but has not scheduled action.

Currently, the Bell companies can purchase equipment from hundreds of competing manufacturers who have an incentive to drive their prices down to get Bell business. In addition, the more the Bell companies save through competitive price bidding wars for the sale of equipment to the Bell networks, the more their earnings increase.

If the Bells are allowed to buy their equipment from or through unregulated Bell affiliates, these incentives will be replaced by the Bell companies' overrid-



CFA Legislative Director Gene Kimmelman opposed the manufacturing bill in May testimony before the Senate Antitrust Subcommittee.

ing incentive to boost corporate profits by favoring themselves over competitor companies.

If higher equipment costs can be passed on to consumers through higher rates for monopoly services — such as basic local phone service, for which consumers have no alternative vendor — then the Bell company will have an additional incentive to overcharge itself for equipment purchased by its regulated local phone subsidiary.

"It is precisely this type of favoritism, overcharging and cross-subsidizing that led the Justice Department and the courts to prohibit the Bells from manufacturing in the first place," Kimmelman said.

"These are not merely theoretical concerns," he added, citing, among numerous examples of anti-consumer and anti-competitive actions by the Bells, a recent case in which NYNEX was caught inflating costs to basic ratepayers by procuring equipment through an unregulated subsidiary, which marked up equipment prices to enhance the holding companies' profits.

System Would Defy Regulation

"Although regulators can occasionally catch these abuses, it would take a massive army of taxpayer financed engineers, accountants, and regulators to track net-

work design and investment decisions if the Bells were allowed to design and manufacture equipment for themselves," Kimmelman said.

Furthermore, to avoid state regulation, the Bells would only have to locate their manufacturing activities out of state; to hide inflated prices, they need only "customize" their equipment and design their networks slightly differently from everyone else to avoid comparison, he added.

"Unfortunately, S. 173 puts no limitations on Bell company self-dealing in the equipment market, and provides limited regulatory tools to prevent the kinds of ratepayer abuses consumers have faced in the past," he added.

A few relatively minor strengthening amendments were added to the bill on the Senate floor, including:

- an amendment by Sen. Paul Simon (D-IL) to require annual audits by state regulators, funded by the Bell companies, to determine whether they are cross-subsidizing their manufacturing affiliates; and
- an amendment by Sen. Howard Metzenbaum (D-OH) giving the Federal Communications Commission and state regulators access to the accounting books of the manufacturing affiliates during audits.

In the face of Sen. Hollings' adamant opposition, however, most of the more substantive amendments were abandoned, in the hope that the battles for stronger consumer protections can be won in the House.

CPSC To Get Small Budget Increase

Both houses of Congress passed appropriations bills this summer that would give the Consumer Product Safety Commission a small budget increase.

The House voted in June to increase the agency's budget to \$40.2 million, \$1 million more than was appropriated by the Senate, which voted in July to raise the agency's budget to \$39.2 million. The administrator had requested \$39.2 million for the agency.

"Clearly we would have liked to see a more substantial increase, but even the lower Senate level is \$2.1 million more than the CPSC's current budget, and that is not insignificant for such a small agency," said CFA Product Safety Director Mary Ellen Fise.

CPSC's budget is included in the appropriations bill for the Veteran's Administration, Housing and Urban Development, and independent agencies (including NASA). Many other programs covered by the bill had their budgets cut substan-

tially in order to find funding for NASA's space station project.

In an effort to win increased funding for the CPSC, CFA and Consumers Union in June sent each member of the Senate appropriations subcommittee copies of reports of deaths to children in their states associated with products regulated by CPSC. The deaths were among children 14 and under and were reported to CPSC over the past two to three years.

"An underfunded CPSC ultimately means more injuries and deaths for American consumers," Fise said. "Most of the deaths included in these reports were preventable. But, without the resources to enforce existing laws, conduct investigations, and set new safety standards, there is no realistic hope of preventing such tragedies in the future."

Each year, an estimated 22,500 Americans die and an additional 3.4 million suffer disabling injuries as a result of household accidents involving consumer

products. Injury is the number one cause of death to children. The products associated with these deaths and injuries are regulated by the CPSC.

However, more than other federal health and safety agencies, CPSC has been singled out for decimating cuts over the last decade. Its fiscal year 1991 budget of \$37.1 million is roughly half the agency's original appropriation when adjusted for inflation, and its staff level has also been cut nearly in half.

"The emasculation of CPSC over the last decade has meant pain and heartache for tens of thousands of Americans and their families," CFA and CU wrote in their letter to appropriations subcommittee members. "The[se] death reports are tragic illustrations of what these cutbacks have meant in human terms."

The bills will now go to conference committee to work out differences, including the funding level for CPSC.

House Panel Approves Banking Overhaul Bill

A major overhaul of the nation's financial system moved one step closer to passage, when the House Banking Committee approved legislation June 28 that would allow commercial firms to own banks, expand securities powers within an affiliate structure, and permit unlimited interstate branch banking.

Lobbied heavily by high-powered representatives of foreign banks, the committee also stripped a provision in the bill which would have required that foreign banks wishing to own U.S. banks do so through a holding company in this country subject to federal regulation.

In addition, no consumer provisions — such as basic banking, government check cashing, or truth in savings — were included in the bill, though the Community Reinvestment Act, which was gutted during subcommittee markup, was first restored and then extended to cover branches during full committee markup.

"If this legislation is allowed to become law, we can expect a tremendous centralization in our financial/industrial system that will be extremely costly to consumers and impossible to regulate effectively," said CFA Legislative Representative Peggy Miller.

"Not only can we expect to see bank fees rise, small business credit availability reduced, and interest rates on small accounts lowered, but this structure also will result in a major shift in control of U.S. assets to a monopoly structure intent on international speculation rather than on locally based community development," she said.

New Structure Created

As approved by the House Banking Committee, the legislation would create two

new types of holding companies capable of owning banks: financial services holding companies, which would allow an open affiliate structure between banks and securities firms; and diversified holding companies, which would allow commercial firms, securities firms, insurance firms, and banks to own each other.

Rep. Gerald D. Kleczka (D-WI), who played a major role in most of consumers' few victories, helped to strengthen the "firewalls" between banks and securities firms with an amendment in subcommittee to prohibit loans by banks to their securities affiliates. Efforts in full committee to weaken that amendment were defeated.

Limited Insurance Powers Granted

The committee was somewhat more conservative in its approach to expanded insurance powers, restricting underwriting to the diversified holding company level (separated from banks by two sets of firewalls) and allowing insurance sales only in banks in towns of 5,000 or less and only to residents of towns of 5,000 or less and surrounding rural areas.

In addition, four amendments to mitigate the worst effects of the interstate branch banking provision were approved.

Despite an earlier committee agreement not to consider any additional amendments on CRA, the committee did pass an amendment offered by Rep. Kleczka to require that CRA examinations of banks be based on how that bank is performing in each of the states in which it has branches.

The committee also passed an amendment by Rep. Jim Leach (R-IA) that would

require regulators to establish a new set of standards to use in rating access to credit within communities and to shut down banks that they find are injuring the economy by failing to make credit available.

Finally, the committee approved an amendment by Rep. Thomas J. Ridge (R-PA) which would give banks that do a lot of community lending a reduction in their insurance fund premiums, as well as an amendment by Rep. Richard E. Neal (D-MA) requiring small business loan reporting on banks' reports to regulators.

"We supported these amendments, not only because greater access to community credit is good, but also for safety and soundness reasons," Miller said. "Those banks that have been diversified in terms of community credit have tended to be the safest banks, and we want both to stimulate community lending and to be able to track it better."

On the other hand, an amendment by Rep. Bruce F. Vento (D-MN) that would have given states the right to decide whether to opt in or out of interstate branching was soundly defeated.

So were back-to-back amendments by Rep. Joseph P. Kennedy II (D-MA) to mandate provision of basic banking and government check cashing services.

Rep. Kennedy, along with Banking Chairman Henry B. Gonzalez (D-TX), did manage, however, to undo the damage done to CRA during subcommittee markup. As passed by subcommittee, the legislation would have exempted approximately 92 percent of banks from the requirements of CRA. That provision was removed in full committee.

Although the House Banking Committee action was a major setback, it is not the final word.

Senate Banking Committee was scheduled to begin markup of the legislation in late July, and early reports were that the committee print on which the markup would be based would not include the linkage of commerce and banking and would include both a state "right-to-act" provision for interstate branch banking and CRA for branches, as well as basic banking, check cashing, and truth in savings provisions.

Energy and Commerce Seeks Time for Review

Meanwhile, in the House, action now moves to Energy and Commerce Committee, where Chairman John D. Dingell (D-MI), who has criticized many of the sweeping changes proposed, has demanded adequate time for detailed review.

House leadership was expected to decide by mid-July on how much time Energy and Commerce would be given for consideration of the legislation. Timing is critical, since the engine driving the legislation is a \$30 billion recapitalization of the Bank Insurance Fund, which top administration officials say cannot be delayed beyond the beginning of the next fiscal year in October.

"Right now, delay is our best tool, though it appears that even delay won't stop interstate branching from reaching both floors. Powerful interests like Bank of America and NCFB want it, as do international interests, and it appears they will get it," Miller said.

"Either way," she added, "increased consolidation appears to be a given — the question is how much, how fast, and what controls will be included."

House Fails To Fund Sustainable Agriculture

The House passed an agriculture appropriations bill in late June that ignores the 1990 Farm Bill's provisions to promote sustainable agriculture and create an organic certification program.

Sustainable agriculture techniques are designed to reduce reliance on pesticides and other chemicals in order to conserve water supply and quality, promote food safety, and protect the natural resource base.

The farm bill contained a number of provisions to redirect agricultural research and development, as well as extension programs, to support the use of sustainable agriculture techniques. It also contained a number of pro-environment provisions, as well as programs to overhaul cosmetic grading standards and to create a national certification program to encourage the production of organic produce.

But Rep. Jamie L. Whitten (D-MS), who chairs both the Appropriations Committee and its Agriculture Subcommittee, announced at the outset of budget deliberations that he did not support the new programs and did not intend to fund them. He specifically stated that an organic certification program is not needed.

The bill that was reported out of the committee, like the budget submitted by the U.S. Department of Agriculture, contained no funding for these programs.

Jontz Wins Small Victory on Floor

Rep. Jim Jontz (D-IN), who was instrumental in getting the sustainable agriculture initiatives into the farm bill, did succeed in getting one amendment passed on the floor of the House.

Although most of his original amendment was overruled on a point of order, Rep. Jontz, backed by Agriculture Com-

mittee Chairman Kika de la Garza (D-TX), did win \$3.5 million in funding for projects to improve water quality and conservation.

Under the program, farmers would be eligible to receive up to \$3,500 for up-front capital investments in such projects.

In May testimony before the Agriculture Appropriations subcommittee, CFA Legislative Representative Peggy Miller outlined specific proposals to "stimulate a far more rapid integration of sustainable agriculture methods into the extension system as well as the broad agriculture research establishment."

Among those proposals were:

- creation of an Interdisciplinary Scientific Team Analysis Program (ISTAP) to conduct a cross-disciplinary analysis of selected research projects to determine the implications for sustainable use of the research results;
- establishment of a nationally directed, regionally executed county extension agent sustainable agriculture training program;
- direction of \$30 million of the Agricultural Research System budget towards sustainable agriculture "Integration of Agriculture Systems" research;
- increased funding for the Low Input Sustainable Agriculture program;
- marketing and economic structural analysis to encourage broader national and international marketing of resource-conserving and organic crops; and

- funding for various new boards and programs to assist in fostering the development of sustainable agriculture practices, including cosmetic standards, organic certification, and the Technology Assessment Review Board.

Stronger Senate Support Expected

Scheduled to take up the appropriations bill in late July, the Senate Agriculture Appropriations Subcommittee was expected to provide funding for some of these initiatives.

A number of members of the Senate subcommittee played a key role in getting the initiatives into the farm bill, including Sens. Dale Bumpers (D-AR), Wyche Fowler (D-GA), Tom Harkin (D-IA), and Bob Kerrey (D-NE). Also, Agriculture Chairman Patrick Leahy (D-VT), who has been a strong supporter of organics and sustainable agriculture, sits on the full appropriations committee.

Supporters' optimism was guarded, however. "We have been witnessing a subtle, but ever increasing shift to support the Bush Administration proposals lock, stock, and barrel," Miller said.

"Nonetheless, we're hopeful that we will get funding for a number of pieces in the Senate, both in committee and on the floor, and then we'll fight in conference committee to keep as much as we can," she added.



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Anti-Consumer Energy Bill Stalled in Senate

Faced with mounting opposition from consumer and environmental groups and their allies in the Senate, a major energy bill reported out of the Senate Energy and Natural Resources Committee in late May appeared to have stalled by mid-July.

Energy Chairman J. Bennett Johnston (D-LA), who is primary sponsor of the bill, had hoped to move it to the Senate floor in June but had acknowledged by July that it is unlikely to come to a vote before the August recess.

Sen. Max Baucus (D-MT), who chairs the Environmental Protection Subcommittee of the Environment and Public Works Committee, has said he will oppose bringing the bill to the floor until his committee is granted referral. Baucus has been a vocal critic of the legislation.

In June, CFA joined with Citizen Action, the National Association of State Utility Consumer Advocates, and the Ohio Consumers' Counsel to write members of the Senate urging their opposition if and when the bill does come to the floor.

In that letter, the groups charge that the bill "rewards the nation's largest

energy industries at the expense of consumers.

"In broad terms, S. 1220 reduces competition, eliminates regulations that protect consumers from monopoly power, and promotes non-renewable energy resources, rather than renewables and energy efficient technologies," the letter states.

Of particular concern to consumer groups are the bill's provisions to change the Public Utility Holding Company Act (PUHCA) and the Natural Gas Act, both of which are designed to control monopoly power.

In particular, the bill would "substantially weaken consumer protection provisions" of PUHCA by:

- allowing utility wholesale generation affiliates to be exempt from PUHCA, while inhibiting competition from true independent power producers;

- failing to establish provisions for transmission access, thereby preventing competition in moving electrical power, while at the same time authorizing monopoly utilities' unrestrained participation in generating markets;

- allowing self-dealing and cross-subsidization of unregulated affiliates by ratepayer funded utilities;

- allowing utilities to create generating affiliates to sell electricity back to the utility, as a result of which savings owed to customers could be siphoned off to an unregulated entity;

- permitting the development of complex, debt-leveraged, largely unregulated corporate structures that create opportunities for self-dealing, cross-subsidy, abuse and regulatory confusion; and

- permitting utilities to forum shop for the most favorable regulatory treatment, depriving states of their historic authority to protect captive retail customers.

With respect to changes in natural gas pipeline regulation, the bill:

- exempts transactions for most pipeline facility construction from regulation, which will likely lead to market power abuse;

- fails to permit refunds for customers found by the Federal Energy Regulatory Commission (FERC) to have been overcharged by pipelines;

- deregulates pipeline sales, allowing excess profits in markets where there is little competition; and

- allows FERC to require ratepayers, rather than pipelines and distributors, to fund Gas Research Institute projects regardless of ratepayer benefit findings.

Also of concern is the legislation's lack of strong provisions to accelerate development and widespread diffusion of renewable energy and energy efficient technologies, such as requirements for increases in corporate average fuel economy (CAFE) standards for automobiles.

"Although the bill does improve state energy conservation programs, strengthens energy efficiency standards, and requires the TVA to implement integrated resource planning, it falls far short of what is required to make the United States as energy efficient as our major competitors," the consumer groups wrote in their letter to the Senate.

"In short, S. 1220 . . . is a one-sided bill that will pad the pockets of the largest oil, gas, and nuclear energy producers, pipelines and investor-owned utility companies at the expense of U.S. consumers."

Time is Ripe for National Energy Policy

Congress must seize the opportunity provided by the country's renewed interest in energy issues and produce a national energy strategy during this session, Rep. Philip R. Sharp (D-IN) told attendees at CFA's May energy conference.

"Something will come out of this Congress," Rep. Sharp predicted. "The question is how much and what — rather big questions, I realize," he added.

Sharp, who chairs the House Energy and Power Subcommittee, said energy security/import dependence and environmental issues are the key elements around which such a strategy will be developed.

"Most of us believe we would be better off economically and in international policy if we reduced our dependence on foreign oil," Rep. Sharp said. But he added that, because of the cost, "no one is actually proposing anything that matches the rhetoric of energy independence."

Nonetheless, steps must be taken to "reduce the intensity with which we use oil," he said, adding that increased Corporate Average Fuel Economy (CAFE) standards should be included in any energy plan.

Furthermore, he said, "if energy efficiency, conservation, and renewables are not a major part of this package, we will not have done well."

Strategic Petroleum Reserves Should Be Increased

In light of our inevitable continued dependence on foreign oil, having adequate reserves (a billion barrels or more) in the strategic petroleum reserve is increasingly important, he said, as is the willingness to use that reserve to prevent price spikes.

Rep. Sharp criticized the administration for waiting so long in the months before the war in the Gulf to sell oil from the reserve. He said that delay cost the U.S. economy \$30 billion.

"Price controls just don't work in a very complex economy, but the government as a supplier of last resort can have an



Rep. Philip R. Sharp (D-IN) predicted that Congress would produce a major energy bill this session.

impact on price," he said.

Finally, Rep. Sharp said Congress would be looking at reform of the Public Utility Holding Company Act, and he cautioned against "a knee-jerk opposition."

While it is essential to continue to regulate monopoly aspects of the industry, he said, "competition serves us best, if we can get real competition, and that is the real question here."

One goal is to get the state commissions to analyze the potential for integrated planning and rate-basing of conservation investments. This is an area with "enormous potential to save energy, but it does take effective commission oversight, because there is also a potential for massive cross-subsidization," Sharp said.

If we believe, however, as many do, that utilities are best able to improve conservation, it makes sense to "let them make money doing it," he said.

Department of Energy official Peter Saba said that just such "market incentives," along with advanced technologies and reduced regulation, are at the heart

of the administration's national energy strategy proposal.

Like Sharp, he called for "careful reform of PUHCA," and he rejected the notion that total energy independence is feasible. Unlike Sharp, however, he also rejected improved CAFE standards as "grossly over-rated," with proposed new standards set at "a level we do not believe is feasible, safe, or cost-effective."

Instead, Saba emphasized development of alternative fuels, increased efficiency standards for buildings and appliances, as well as increased production of oil.

"America can neither solely conserve its way nor solely produce its way to energy efficiency," he said.

The administration's proposal, however, came in for substantial criticism in a panel outlining industry and consumer perspectives.

Even H. Richard Seibert, a vice president with National Association of Manufacturers, said that, while he shares the administration's skepticism about increased CAFE standards, "the best aspects of [the administration's proposal] are not its recommendations, "but the data behind those recommendations."

Administration Plan Will Be Difficult To Sell

Vince Breglio, President of Research Strategy Management, Inc. said that any energy strategy will be difficult to sell to the public since, "outside the beltway," this is not an issue that people are particularly interested in.

The president's proposal faces the added difficulty that three-quarter's of the public "reject the notion" that we need to increase our supply of oil, a view that is held as strongly by conservative Republicans as it is by liberal Democrats, he said.

Furthermore, when asked what should be priorities for allocation of research dollars, the public identifies renewable energy sources as the highest priority, followed closely by conservation, with cleaner, more efficient oil and coal a dis-

tant third, and safe nuclear power fourth.

The actual allocation in the Department of Energy plan is the reverse of that, he said.

William A. Spratley, Ohio Consumers' Counsel, agreed that the administration had "missed the moment" with its energy strategy. "Rather than making market forces the center of an energy strategy," the administration should have produced a proposal with energy efficiency, conservation, and renewables as its centerpiece, he said.

"Energy efficiency has become the rallying point for consumer groups and environmental groups," who define energy efficiency as "using less energy to provide equal or greater energy services at a lower cost," he said.

Energy efficiency can be promoted using both better regulation and market forces, he said. "It should not be an either-or debate."

Greater Consumer Movement Involvement Needed

Meg Power, Legislative Representative for the National Community Action Foundation called on the consumer movement to become more involved in the energy debate.

"According to the environmentalists, the issues are ANWR, ANWR, ANWR . . . and energy efficiency," she said. "There has not been the consumer presence worrying about costs."

A greater sensitivity is needed toward the costs of any proposal for low income individuals, along with a greater awareness of what types of programs will and won't work with low income populations, she said.

In addition to sessions on a national strategy, the conference also included discussions of trends in energy production, use, and technologies; the policy impact of the Gulf crisis; state utility policies on least cost planning; global warming; and various congressional energy proposals.

Concentration Undermines Airline Deregulation

The first decade of airline deregulation has produced little tangible benefit for the American consumer, and the lack of competition in the industry has led to numerous abusive business practices, according to a report released in May by CFA.

The report, entitled "Clearing the Air on Airline Deregulation," was released in conjunction with a hearing before the House Subcommittee on Aviation, which is considering a variety of bills to address problems of solvency and excess concentration in the airline industry.

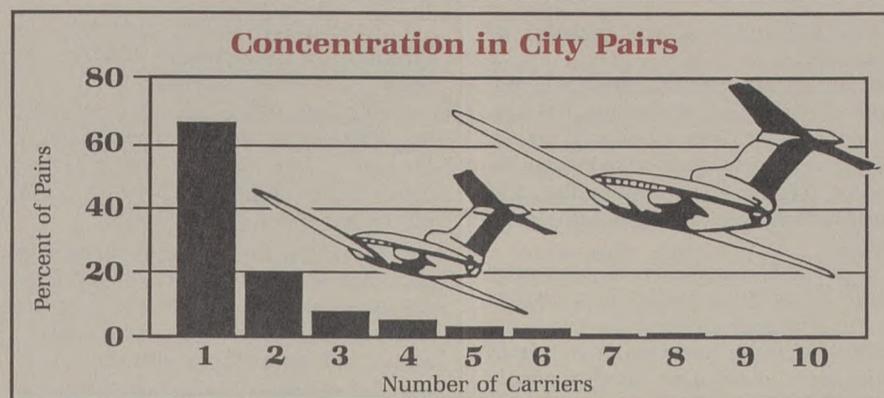
"Measured by prices as well as travelers, there is very little tangible benefit left of airline deregulation," said Mark Cooper, CFA Research Director and author of the report. "The benefits have been dissipated by the growth of a series of unregulated, regional monopolies that are growing into an ever tighter national oligopoly."

Key report findings related to concentration and pricing in the industry include the following.

- By the end of the merger wave, on a route-by-route basis, two-thirds of all routes were served by one airline, and seven-eighths were served by two or less.

- Data on ticket yields shows that the rapid concentration in the industry during the mid-1980s led to rising prices, even though fuel prices were falling. By 1989, ticket prices were probably higher than they would have been without deregulation.

"All of the empirical evidence shows that concentration and high prices go



Traffic World, December 1988

hand in hand," Cooper said. "Tickets on non-competitive routes or on routes that involve fortress hubs are higher by 10 to 25 percent."

"Where competition cannot discipline price it cannot discipline the more subtle aspects of market behavior," Cooper added. "Advertising schedules that cannot be met, listing regional airline flights under the same codes as major airlines, and mistreating consumers with respect to the terms and conditions of seat availability, flight cancellations, and the rights and obligations of frequent flier programs are all problems that stem from a lack of competition."

Key report findings with respect to system growth include the following.

- Data on the number of travelers and miles traveled shows that growth was greater before deregulation and that it slowed dramatically after the merger wave of the mid-1980s.

- The consumer expenditure survey covering the 1980s shows that there was virtually no change in the distribution of ticket purchases by households at various income levels.

"Even before the recession, the much ballyhooed claims of expansion and democratization of air travel due to deregulation were a myth," Cooper said. "The financial troubles of the airline industry increase the need for Congress to take a hard look at the results of airline deregulation."

"With the legislation before you, you can begin to address the three key areas of market failure in the airline industry—concentration, information, and consumer protection," Cooper told the Aviation Subcommittee. "If the deregulatory experiment in the airline industry is to have any chance of success, you must enact legislation that addresses all of these areas."

The report proposes a broad range of procompetitive, proconsumer policies which Cooper said should be included in any proposal to assist the industry, including the following.

- Fortress hubs must not be allowed to form the core of monopoly networks.

- The computerized reservation system must be reformed.

- Affiliation arrangements with regional airlines must not be allowed to squelch competition.

- Penalties for cancellations, delays and bumping must be increased to dissuade airlines from imposing hidden time costs on the public.

- Advertising and promotion must be carefully regulated to prevent bait and switch tactics and to ensure that consumers get what they pay for.

- A mandatory bankruptcy trust must be created so that consumers' tickets will be honored to the greatest extent possible.

"In the name of preserving the deregulated industry, the American people may be asked to accept extremely high levels of concentration and/or increases in foreign ownership," Cooper added. Instead, he urged the committee to "formulate a policy which will give competition a chance in the airline industry, while providing protection for consumers who travel in markets that will not support competition."

Copies of the report are available for \$10 prepaid from the Consumer Federation of America, 1424 16th Street, N.W., Suite 604, Washington, D.C. 20036.

Senate Highway Bill Is Strong On Safety

The Senate gave overwhelming support in June to a five-year reauthorization of surface transportation programs that contains a number of important highway and auto safety provisions, including:

- reauthorization of the National Highway Traffic Safety Administration;
- an incentive program to encourage states to pass and enforce mandatory use laws for motorcycle helmets and safety belts; and
- a freeze on truck weights and lengths to prevent expanded use of huge multi-trailer trucks, known as longer combination vehicles (LCVs).

The NHTSA reauthorization bill, which was sponsored by Sen. Richard Bryan (D-NV), has also been passed as free-standing legislation. By including it in the transportation bill, however, the Senate forces the House to address the issue, if only in conference committee. Although the Senate has passed similar bills in the past, House action has been blocked by Rep. John D. Dingell (D-MI).

The reauthorization measure includes a number of strengthened auto safety standards, including a requirement that all passenger cars manufactured after September 1, 1995 be equipped with driver and passenger side air bags and that all trucks, buses, vans, and multi-purpose vehicles have driver side air bags after September 1, 1996 and passenger side airbags by the following year. The air bag provisions, sponsored by Sens. Bryan, John D. Danforth (R-MO), and Slade Gorton (R-WA), have also been passed as free-standing legislation.

The motorcycle helmet and safety belt provisions were crafted by Sen. John Chafee (R-RI) and Rep. Jim Cooper (D-TN). They rely on incentives, in the form of highway safety grants, to encourage states to enact both laws. In addition, states without both laws would have a small portion of their highway funding redirected into safety uses.

Finally, in a provision sponsored by Sens. Chafee, Frank R. Lautenberg (D-NJ), and J. James Exon (D-NE), the legislation would limit the use of LCVs to interstate highways where their use was already permitted as of January 1, 1991. LCVs are defined as trucks with two or more trailers or semi-trailers that weigh more than 80,000 pounds. These huge vehicles are more likely to be involved in crashes and are more likely to separate and jackknife in crashes than standard-sized trucks.

By mid-July, the House had not yet introduced its version of the legislation, though early reports indicated that at least the motorcycle helmet and safety belt provisions would be included.

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