

# NEWS FROM CFA

## CONSUMER FEDERATION OF AMERICA

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### CFA DISTINGUISHED SERVICE AWARDS: REP. SULLIVAN & SIDNEY MARGOLIUS

Rep. Leonor K. Sullivan (D-Mb) and consumer columnist-author Sidney Margolius will receive national recognition for public service and leadership in consumer affairs at CFA's second distinguished awards dinner in June. Last year's awards went to Sen. Philip H. Hart (D-Mich) and Dr. Colston E. Warne, President of Consumers Union. Advance reservations may be made by writing CFA, 1012 14th St. N.W., Washington, D.C. 20005. Tickets are \$50 per person or \$500 for each table for ten. Funds will be used to further the work of the Federation. Details--June 14, Mayflower Hotel, 1127 Connecticut Ave. N.W., Washington, D. C., reception 6:30 pm, dinner 7:30 pm. Dinner co-chairmen are CFA Directors Sarah Newman and Weldon Barton. The 1972 recipients were selected after consideration of all nominees by the dinner committee and action by the CFA executive committee.

### LEGISLATION UPDATE

- The Fair Credit Billing Act (S. 652) passed the Senate 51-15 in so weakened a version that its sponsor, Sen. William Proxmire (D-Wis) voted against it. Last-ditch efforts to salvage the measure failed on 46-35 and 38-38 votes. CFA urged opposition since efforts to amend failed.
- After passing the Senate last fall, the auto repair bill (H.R. 11627), originally designed to allow the setting of forceful standards for auto bumpers to eliminate damage in low-speed collisions, has finally come through House interstate and foreign commerce committee. It's a compromise bill merely authorizing standards for front and rear bumpers without specifying maximum speed to which cars would be protected.
- The independent consumer protection agency remains in Senate government operations subcommittee. Publicity generated by Sen. Charles Percy (R-Ill) and CFA in disclosing the strategy of business to kill the measure may be blunting the opposition. But not before the American Society of Assn. Executives and its Chicago chapter have had their say.
- The independent consumer product safety agency (S. 3419) which passed Senate Commerce committees 17-1 is undergoing further hearings in Senate government operations and labor committees. The Administration insists an independent agency is not needed and that the broad, new safety functions can be absorbed by HEW by reorganizing FDA. (See pgs. 7-8).

Update on no-fault auto insurance reform -- page 7.

## CONSUMER GROUPS OPPOSE FPC NATURAL GAS PRICE ACTION

If not blocked by consumers and Congress, a new Federal Power Commission regulation trotted out under the guise of assuring the nation "an adequate and reliable supply of natural gas" could cost consumers billions of dollars more each year. Sen. Philip Hart (D-Mich) estimates that if it goes through, the FPC proposal may cost as much as \$750-billion. CFA, American Public Power Assn., American Public Gas Assn., are opposing the proposal, as are a number of congressmen, senators, and former FPC Chairman Lee C. White. Consumer Assembly of Greater New York and Kansas Municipal Utilities endorsed the joint statement of CFA, APGA, and APPA. The rule being fought allows an "optional procedure" for producers to seek prices above agency ceilings. Hart argues --among other things--that the FPC cannot determine if there is a gas shortage on which to base price hikes and says the proposal fails to provide for rebates to consumers if claimed shortages on which increases would be based turn out false.

## CFA CONSIDERING CLASS ACTION SUIT TO RECOVER AIRLINE OVERCHARGES

Attorneys are considering a class action suit to recover money for those who can prove an airline may have overcharged them. This CFA action results from an investigation published in the May Consumer Reports. According to the magazine, Consumers Union purchased 31 tickets from 10 airlines for a sample of two-airline routes and was overcharged from \$2 to \$21 on 20 tickets. CU estimates overcharges at about \$15-million a year. The trouble lies with about 24,000 routes--mainly between small towns and different airlines--where there is no published fare. The Civil Aeronautics Board is investigating CU's charges.

## NOODLE FLAP GOES ON AND ON

It's been about a year since an imitation macaroni product called Golden Elbow Macaroni turned up, touching off a dispute among consumers and the industry over what it ought to be called. The Food & Drug Administration went along with calling it macaroni even though it is made principally from corn, not wheat as is the case with real macaroni. While the industry is apparently thrashing out this labeling issue to suit itself, CFA is once again nudging FDA to take the initiative and require an honestly descriptive name for the phony macaroni. "Is it too simple to just name it corn and soy pasta?" asks CFA.

## NEW MEMBERS

Groups accepted for CFA membership this year include American Federation of Teachers, Lehigh Valley Committee Against Health Fraud, Inc., and Wyoming Consumer United Program, Inc. Welcome.

## PRICE COMMISSION LOOKING AT STRUCTURAL CAUSES OF INFLATION

The first indication that the Nixon Administration may yet deal with the structural causes of inflation comes to light in a recent point-by-point Price Commission response to CFA recommendations adopted last January for a more effective stabilization program, including getting at some of the real causes of inflation.

"Certain laws, customs and procedures which we have built into our system are inherently inflationary," says Chairman C. Jackson Grayson in connection with CFA recommendations for controls in interest rates, energy costs, effective antitrust enforcement and more equitable tax policies. Though non-committal on timing, Grayson says the Commission is trying "to determine which of these structural factors do contribute to inflation and what we can do to change them. When the study is complete," he says, "I hope to be able to make some valuable recommendations."

On other issues, CFA has repeatedly demanded greater consumer participation in development and implementation of economic policy including representation on the Commission. Grayson does not rehash the Commission's general contention that its composition adequately reflects the consumer interest, but he cites a number of specific instances of consumer testimony and regional meetings between Commission officials and consumers.

Disputing the contention that prices are out of control while wages are frozen, Grayson says: "...since the beginning of Phase II, wages have increased by 9.6%, while prices have risen by 4.9%. Both of these large increases are attributable to the bubble that resulted after the freeze" and "show that wage increases far outdistanced price increases. By now the economy has basically adjusted to the distortions created by the freeze and in the next few months, we expect that the average percentage wage and price increases will be lower."

Grayson cites the 0.2% consumer price index gain for April together with the Commission's crackdown on businesses with excessive profit margins and the possibility of refunds and price rollbacks as justification for greater consumer confidence in the program.

This is Grayson's answer to CFA's appeal for more effective and responsive enforcement: As of the first of April, IRS had received over 75,000 complaints of alleged price violations and had settled over 66,000. While most companies have voluntarily complied, he says, about 140 cases have been forwarded to the U.S. Attorney General. Violators face civil penalties of up to \$2500 per violation, or criminal penalties up to \$5000 per violation and the company is also subject to treble damage suits.

#### PRICE COMMISSION MUST HELP CONSUMERS RECOVER OVERCHARGES, SAYS CFA

With consumers being promised relief from illegal prices by companies violating the Price Commission's profit margin regulations, CFA Exec. Dir. Erma Angevine is pressing the Commission to fully disclose the names of the companies, the products, goods, or services overcharged and to provide assistance to consumers seeking recovery of losses. "It is not really clear just what consumers can do to recover their losses as a result of illegal prices," she says. "What goods, products and/or services are specifically involved seem to be a matter between the Commission and the companies." In a letter to Chairman Grayson, Mrs. Angevine says: "Surely the Commission will not rely on voluntary compliance in this aspect of the stabilization program."

#### PRECEDENT-SETTING DECISION?

#### CONSUMER ASSEMBLY PRIES LOOSE FTC COMPLAINT LISTS

New York consumers have something nobody else can get at the moment. Details of consumer complaints lodged with many federal, state and local protection agencies and the actions, if any, those agencies have taken, are now open to the public at the FTC Regional Office in NYC. That's the upshot of Consumer Assembly of Greater New York's law suit against FTC under the Freedom of Information Act. Consumer Assembly Executive Director Don Elberson calls this a "major breakthrough" for consumers.

According to FTC Asst. Exec. Dir. Alfred W. Cortese in Washington, the FTC has been computerizing complaint data for the NYC and San Francisco regions only. He says complete print-outs containing all types of consumer complaints, products, companies, place of violation, names of the agencies involved and their actions, are not automatically available anywhere but NYC. Requests for similar disclosure by other regions must be filed with the FTC Exec. Directors, says Cortese, for a final decision by the Commission.

Initially it was believed that the decision to make NY area complaints public would carry over throughout the FTC complex.

When the Assembly first asked for the information last October, FTC refused. After filing suit, however, the Commission agreed to negotiate a compromise whereby the nature of consumer grievances in New York can now be fully divulged with deletions of: names of companies where the case is still under investigation; complaints without merit; closed cases which were settled informally. The Assembly withdrew the suit with this agreement.

#### HEALTH COSTS UNDER CONTROL?

Consumers who want to influence the cost of health services should seize upon a little-publicized opportunity created by the Administration's wage-price policies. Check in with your State Advisory Board and see what it is doing about rising hospital and nursing home care.

Each state has such a board. The governors named them at the Administration's request this winter. The boards are supposed to review applications for rate increases by hospitals, nursing homes and other health care institutions. This system could be the forerunner of an ongoing health facilities rate commission to help control spiralling health care costs.

Officials say each board is operational. A Phase II operation, these boards follow detailed Price Commission rules under which health care institutions cannot increase prices more than 2.5% without approval. Stabilization officials here in Washington say at least 350 requests for increases are now in the advisory system. What they are and what's happening under the system probably won't be known until this summer. Increases between 2.5% and 6% must be reported to IRS and increases exceeding 6% must be reviewed by the state boards. The Boards are expected to examine detailed financial justification for price hikes and make tough, subjective judgments on all requests, determining for example, if a proposed cobalt machine is really needed or if it will result in higher rates to consumers as well as overlapping health care services.

Footnote: For the State Advisory Board in your area, write CFA or Committee on Health Services Industry, Cost of Living Council, Room 5320, 2000 M St., N.W., Washington, D. C. 20508.

#### NETWORKS URGED TO USE PUBLIC SERVICE TIME FOR COUNTER-ADS

Despite an initial turn-down, the three major television networks are being urged by CFA to balance present commercial presentations with public service announcements developed by the Stern Community Law Firm of Washington.

One Stern ad, narrated by Burt Lancaster, warns owners of 6.8-million Chevrolets that their cars were built with faulty motor mounts, and says in part: "If you have one of these Chevrolets, it could cost you your life."

The other counter goes like this: "I'd like to talk to you about a drug problem called Excedrin, Empirin, Anacin, Cope, Vanquish, and Bufferin. The American Medical Association has found remedies like these to be either irrational, not recommended, or unsound. As for plain aspirin, there's no persuasive scientific evidence one brand costs a lot more. So, next time you buy something for your head, use your head. Buy the least expensive plain aspirin you can find."

CFA members endorsing the Stern project include: Consumers Union, Amalgamated Meat Cutters & Butcher Workmen, Pa., League for Consumer Protection, Consumer Federation of Illinois, Industrial Union Dept. AFL-CIO, Pa. Rural Electric Assn., Consumers Coop. of Berkeley (Ca), Louisiana Consumers League, Allegheny Power Cooperative, Consumers Assn. of Indiana, National Consumers League, United Steelworkers of America, Cooperative League of USA, National Farmers Union, National Council of Senior Citizens, Connecticut Consumers Assn., Consumer Assembly of Greater New York.

In a related development, Sen. Fred Harris (D-Okla) has announced agreement between NBC and a farm group coalition to air a series of free 1-minute spots countering an Assn. of American Railroad commercial dealing with legislation to permit abandonment of certain rail lines.

#### MASSACHUSETTS SEEKING TAX REFUND THROUGH RATE REDUCTION

According to a Northeast Public Power Assn. report, Massachusetts Consumers Council Exec. Director Dermot Shea is seeking a tax refund through reduction in rate increases sought by the Boston Edison Company. Shea wants the Bay State to formally request Congress to modify the Federal Tax Reform Act of 1969 to allow the state's utility department to order a flow-through of funds now accounted for as a reserve fund under the accelerated depreciation tax formula. Shea estimates that Boston Edison could reduce by \$4.5 million the \$42 million proposed rate increase. Edison has a \$39.6 million reserve on the books, but spends the actual cash for capital improvements. Shea says that because of the continual increase in investment by the company, rapid depreciation creates a larger and larger reserve fund, always greater than the tax liability. Since these reserves are only on the books and not saved in trust accounts against the day when tax payment is required, investor-owned utilities are using the monies collected from customers for an estimated 40% of their capital improvements --interest free. Shea contends the Federal law ought to be changed to permit the department of public utilities to determine when a company has an adequate reserve fund from rapid depreciation and to order additional amounts flowed through to the rate payers in the form of lower rates.

#### CHEMICAL-FREE CO-OP FRANKS

With Consumers Union reporting evidence that nitrites, combined with other substances, can cause cancer, and with the Food & Drug Administration talking about making testing of nitrites a higher priority, the Co-op nitrate-free, uncured hotdog is faring well with consumers. According to Mary Ruth Nelson, a Berkeley (Ca) Co-op home economist, these uncured franks have a brownish tan color rather than the usual reddish orange color. She says sales have been good, and less color--and less additives--doesn't seem to be a deterrent to consumer acceptancy. They've been on the market since last August.

#### PEOPLE & PLACES

Consumer Federation of Illinois Director Jim Houlihan, a newly elected state representative, started off his first term of office by helping to blitz local Chicago shopping centers with "buyer beware" leaflets on how to combat deceptive pricing, out-of-date Food and other supermarket games--all part of his legislative package. . . CFI's secretary, Stan Rosen, has been named to the Park Forest Village (Ill) consumer affairs committee. . . After sending her staff out into Washington stores, White House consumer affairs advisor Virginia Knauer charges that grocers are apparently doing a shoddy job of unit pricing.

Speaking at the First World Congress on Air Transportation & Tourism in Madrid, CFA Transportation Chairman Shelby Southard of the Cooperative League of the USA pinpointed a variety of stumbling blocks to charter travel: eligibility requirements, restriction on one-way passengers, unnecessary and excessive paperwork, restriction on split charters. The World Congress adopted a passenger "bill of rights" before adjournment. It calls for increased charter availability, truth in advertising by airlines and travel companies, representation of consumer interests in national aviation and tourism organizations, government bodies and industry groups.

Group Health Assn. of America announces a Prepaid Group Practice School, June 19-22, Sheraton Universal Hotel, Los Angeles. Enrollment is limited and costs \$400. Address inquiries to: Jeffrey A. Prussin, GHA, 1717 Massachusetts Ave., N.W., Washington, D. C. 20036.

International Organization of Consumers Unions (IOCU) is holding the 1972 World Congress August 21-25 in Stockholm.

Senate Commerce committee hearings on advertising, including Sen. Frank Moss' truth-in-advertising bill, begin May 16.

#### CONSUMERS UNION PILOTS MEDIA & CONSUMER

CU will soon decide if Media & Consumer will become a regular monthly publication. A pilot edition released in April features examples of both broadcast and newspaper consumer journalism and plainly shows what is possible in the treatment of consumer issues. The 24-page tabloid paper (\$24 for 12 issues) is being widely circulated for review and comment. If you were missed, contact Frank Pollock, Consumers Union, Mount Vernon, New York 10550.

#### RHODE ISLAND EXTENDS HOME SALES ACT

The home solicitation sales act of Rhode Island has just been amended by the legislature to include cash transactions. The law now includes all transactions--installment, leased and cash arrangements.

#### MARYLAND LEGISLATURE PLAYS GAMES WITH NO-FAULT-- PASSES BATCH OF OTHER CONSUMER BILLS

"We got no-fault without fault." That's how one legislator sizes up the lack of real reform efforts in Maryland. But his colleagues did pass a host of other bills consumers will be getting used to. A bill forbidding cancellation or premium rate increases on auto policyholders because a person is 60 or over was okayed. Other measures came through the mill. Unscrupulous funeral directors can no longer tell clients they have to pay for a regular funeral and buy a casket even though the customer seeks only a cremation. Bill collectors cannot harass a debtor with obscene or threatening phone calls or pass along damaging information to employers to force payment. Purchasers of tickets of arenas or theaters must be shown a seating chart. Peddling of telephone credit card numbers is outlawed. Guarantees must be fulfilled on merchandise costing over \$10. The commissioner of small loans can issue cease and desist orders against merchants. Charge account merchants can give discounts to cash customers. The state must buy recycled paper when possible. Firms cannot sell term papers to students.

#### CONNECTICUT SCORECARD

Connecticut consumers have three new major consumer protection laws out of the 1972 legislative session. One bill limits revolving credit interest rate to 12% for retail sales and 15% for bank credit cards (saving open-end credit customers upward of \$30-million annually), prohibits use of the "previous balance method of billing, and requires that payment made in the month preceding the billing date be credited. A second measure requires physicians who prescribe drugs by trade names to also prescribe by generic name if such exists. The third new law--also okayed by the governor--requires companies with revolving credit accounts to provide each customer with an annual statement of interest charges paid during the year if they total more than \$10.

Eric Sandahl of the Connecticut Consumers League reports no final action but separate House and Senate passage of bills to abolish holder-in-due-course, create a "little FTC", extend the home solicitation sales act, and to license and regulate mobile home parks.

#### FEDERAL NO-FAULT BILL STAYS ALIVE

It's only just that the latest attempt to kill no-fault legislation--now going forward in Senate Commerce Committee again--was nipped in the bud last week. After all, it's been nearly forty years since the first independent study proposed a no-fault auto insurance system. Since 1966, some 25 volumes of studies on the issue have been amassed. State plans are not successful. Even though the Administration would implement no-fault in a manner unlike the proposal of committee Chairman Warren Magnuson (D-Wash) and Sen. Philip Hart (D-Mich), Transportation Secretary Volpe has said: "No fault automobile insurance reform is needed and is needed now." And White House consumer advisor Virginia Knauer pulls no punches in dealing with the American Trail Lawyers Assn. and its campaign against no-fault: "The techniques being used by that organization would appear to be so devious, misleading, and blatantly self-serving, as to cast a long shadow over the integrity of the entire legal profession." Ranking GOP committee member Norris Cotton (NH) unsuccessfully tried to drum up support to delay Senate consideration of no-fault during this session of Congress. A concerted effort by consumer lobbyists helped ward off his threat.

#### IT'S A PUZZLEMENT: 'UNIQUE HONOR' FOR MAIL ORDER FIRMS

- The Federal Trade Commission is proposing tough regulations to stop consumer abuses by the mail order industry. The most recent supporter for FTC action is the NY State Consumer Protection Board which says complaints involving mail orders are almost double that of any other category.
- Not long ago consumer ombudsman David Ordway of the U.S. Postal Service warned consumers to be wary of ordering merchandise or services by mail. He said he'd gotten many complaints showing that mail orders can turn out unsatisfactory, and consumers, he said ought to check the reliability of unfamiliar firms with state and local protection offices before placing orders.

Yet, the U.S. Postal Service confirms plans to issue a commemorative stamp honoring mail order retailers.

"Commemorative stamps," states a postal publication, "are considered a unique honor reserved for people and events that have the deepest and most lasting significance to the Nation as a whole."

According to CFA's complaint files, undelivered mail order merchandise has made the deepest and most lasting impression on consumers.

#### ADMINISTRATION KEEPS UP FIGHT AGAINST PRODUCT SAFETY AGENCY -- CFA TESTIFIES ONCE AGAIN

After five years of study, congressional hearings, debate and controversy, a bill establishing an independent consumer product safety agency has been passed by the Senate Commerce committee, is undergoing review by two other Senate committees and may reach a vote in the full Senate by the end of this month. But not without more debate. By the time the Senate government operations and health subcommittees closed hearings last week, Sen. Charles Percy (R-Ill) had promised to come up with a compromise measure more palatable to the Nixon Administration. While the Administration asserts its support for increased federal commitment to product safety, its chief spokesman -- HEW Secretary Elliott Richardson -- argues that this goal can be achieved

by upgrading the present Food & Drug Administration effort which he oversees within his cabinet department. His position is generally supported by industry and some Republican legislators. His position is generally rebutted by consumer spokesmen, not to mention the powerful Commerce committee which passed the bill abolishing FDA and setting up an entirely new and independent agency by a 17-1 vote. Meanwhile a consumer lobby is gearing up to secure passage of the Commerce committee version in the Senate and to influence House committee approval of a similar measure.

In testimony before the Senate health subcommittee on May 3, CFA urged enactment of a new agency, with maximum independence of the Executive Branch, to administer and enforce a comprehensive product safety program. This bill, said CFA Information Director Martha Robinson, is a top legislative priority for consumers. Excerpts of the CFA statement follow:

- The Administration and others argue that the U.S. Food & Drug Administration can be reorganized in some fashion to accomplish the enforcement of product standards envisioned in the Commerce Committee bill.
- We are convinced that an agency headed by a single administrator, armed with sufficient funds, and further bolstered by provisions in S. 3419 requiring congressional confirmation of the administrator as well as the administrator's three subordinate commissioners of food and nutrition, drugs, and product safety offer much greater potential for independence.
- We believe there is an absence of accountability in the present system where an FDA commissioner--an Administration appointee who does not have to be confirmed by Congress and depending on the current HEW organization--answers through an assistant secretary and under secretary to the HEW secretary who in turn answers to the President and then to Congress.
- There is an absence of specific accountability in the present system whereby FDA's limited responsibilities for product safety are now entrusted to the head of an agency bureau--a lone government bureaucrat removed many more levels from public scrutiny.
- We think the independent structure proposed by the Commerce Committee lessens the practice generally believed possible for political interference in agency affairs--specifically clearance at the cabinet and White House levels for upper grade staff, consultant and advisory committee appointments which give a political context to regulatory actions.
- We take strong exception to the Administration's position that any reorganization of food, drug and product safety functions within HEW will benefit consumers. We reject Secretary Richardson's threat that unless he keeps control of product safety the public health will be endangered.
- Past reorganization efforts have had little effect on FDA and HEW in the broad area of product safety, and most are variations of the same theme.
- We welcome the bills' provision for a more open budget process. We hear much about how under-funded FDA is. Buried as it is in the maze of HEW, we do not know what the agency thinks it really needs in contrast to what its parent agency thought it needed and in contrast to what OMB says it can have. At least under the Commerce Committee bill it is possible for the Congress and the public to get a better picture of program requirements through the annual reporting of budget recommendations by each of the commissioners, the administrator and OMB. ###