



consumer news and comment

June, 1972

Washington DC

NO-FAULT CLEARS SENATE COMMITTEE

There were only four votes against the national no-fault auto insurance bill approved by the 18-member Senate Commerce Committee just before the Memorial Day weekend. The bill goes to the Senate floor in two or three weeks. Hailed by Committee Chairman Warren G. Magnuson (D-Wash) as "one of the most important" consumer protection measures ever considered, it requires each state to adopt a no-fault plan providing basic protection to auto accident victims. It makes sure insurance is available and limits cancellation of policies. The insurance must provide up to \$50,000 in medical benefits and up to \$75,000 in wage or other losses. If a state fails to adopt a plan meeting federal standards (within about 18 months after this bill is enacted), a federal plan would go into effect. It would provide total economic loss protection without any limitation whatsoever. Magnuson says the protection offered under the new bill should cost no more and may cost less than present coverages. Under the present system, he says, only 50¢ of every dollar paid for insurance is returned in premiums. Under the no-fault system a much higher percentage of benefits will be returned, he says. House hearings on no-fault are completed. Action by the full House is expected this fall.

LEGISLATIVE UPDATE

An auto repair bill has passed the House and on its way to conference with the Senate version approved last winter. . . . Senate Government Operations subcommittee may be reporting out the long-awaited independent consumer protection agency measure in several weeks . . . product safety legislation is under consideration by the House Interstate & Foreign Commerce Committee (CFA wants it strengthened) while the broader Senate Commerce Committee safety bill continues to gain support in that chamber.

INVITATION TO CFA DISTINGUISHED SERVICE AWARDS DINNER

Those wanting to join CFA in honoring Rep. Leonor K. Sullivan (D-Mo) and consumer columnist-author Sidney Margolius are urged to make reservations. The program is scheduled for Wednesday, June 14, Mayflower Hotel, 1127 Conn. Ave NW, Washington DC. There's a reception at 6:30 PM followed by dinner at 7:30. Make reservations (\$50 per person) through Erma Angevine, Consumer Federation of America, 1012 14th St NW, Washington DC 20005.

Footnote: Those opposing the no-fault bill were Sens. Howard Baker Jr (R-Tenn), Marlow Cook (R-Ky), Norris Cotton (R-NH), and Ernest Hollings (D-SC).

WAY TO PREVENT HEALTH HAZARDS AND ECONOMIC FRAUD

There's much more to cosmetics than irritating, allergy-producing ingredients. Cosmetics and toiletries also contain many simple, inexpensive ingredients common to all such products and in some cases are sold to unknowing consumers for very high prices.

CFA and Georgetown U. attorneys Joseph Page and Anthony Young are petitioning the Food & Drug Administration for full ingredient labeling of cosmetics to protect consumers' health as well as their pocketbooks. This proposal goes far beyond what's in the works. (Some businesses have agreed to disclose the active ingredients of cosmetic products; FDA is also considering a requirement for labeling "sensitizing" ingredients only.) The petition notes the value of being able to avoid allergic reactions, but states: "Without full label disclosure of ingredients these cosmetic products...can be sold at prices higher than a fully informed marketplace would permit. Complete ingredient labeling will insure that these cosmetic products are open to value comparison by the consumer. Full labeling will thus promote development of the best product at the lowest cost. Full labeling will prevent maximization of profit through exploitation and perpetuation of consumer ignorance."

FTC CONSUMER PROTECTION PLANS AXED BY WHITE HOUSE BUDGET OFFICE

The Federal Trade Commission is being forced to shelve plans for a number of consumer protection programs and carry out others on a makeshift basis due to massive budget cuts by the Administration's Office of Management & Budget. (OMB is the office that reviews, revises and prepares agency budgets so the President submits a "unified budget" to Congress for funding.)

FTC Chairman Miles Kirkpatrick has told a Senate subcommittee that OMB slashed 208 positions from his budget before it got to Congress this year. Among other things, he says, this means scrapping a planned investigation of hospital and medical costs. It means cancellation of probes into certain multi-national corporations (like IT&T) whose actions may be adversely affecting domestic prices. Kirkpatrick says the cut-back will "slow down" spot-checks of compliance of outstanding cease-and-desist orders, curtail the advertising substantiation program, and jeopardize fur and textile enforcement. In addition, Kirkpatrick says he must abandon investigations of patent interference and infringement settlements (which may have anticompetitive effects) and joint ventures which may dampen competition. The cut is also expected to stymie FTC's study of concentrated industries such as the automobile examination already interrupted with current staffing insufficient to get it underway again.

All this came to light in hearings on Sen. Lee Metcalf's bill to strip OMB of authority to prepare regulatory agency budgets. Metcalf wants a direct agency-Congress procedure. In attacking the OMB cuts, the Montana Democrat says it shows how a "so-called unified budget of the President can be translated into an anti-consumer and anti-public interest budget." The head of OMB was on hand to testify against Metcalf's bill. He said if the measure passes, he'll recommend a Nixon veto. As for the FTC budget, OMB commented that "any agency head who does his homework properly, has some fortitude, and believes in his budgetary estimates can present his case effectively and usually with considerable success."

TRUTH-IN-ADVERTISING, ANYBODY?

This month's Senate hearings on a bill requiring documentation of advertised claims may have failed to muster enough consensus for development of a serious legislative proposal. At issue is the truth-in-advertising bill of Sens. Frank E. Moss (D-Utah) and George McGovern (D-SDak). FTC led the list of witnesses. Despite admissions that its highly publicized ad-documentation program has failed to help consumers, that the documentation material is so technical much is being farmed out to non-government experts for interpretation, FTC says legislation is premature. CFA Exec. Dir. Erma Angevine endorsed the bill but says it does not go far enough. Without counter advertising, she says, American Motors, for example, can correctly claim that Maverick and Gremlin have more interior space than other American manufacturers' small cars, but need not mention that it sacrificed safety to get more inches of space. Mark Silbergeld, a Nader associate and former FTC attorney, supports the bill but says it ought to be extended to provide for class actions and civil suits.

The eve of hearings, the Council of Better Business Bureaus issued a press release on industry's voluntary ad-documentation system--devised last year to ward off federal regulation. CBBB now claims resolution of 55 cases with 49 pending and 42 dismissed.

CFA's testimony focused on the folly of self-regulation. Mrs. Angevine told of filing over two dozen complaints--covering everything from baby shampoo and dog food to drain cleaners--with the National Advertising Review Board. CFA's only substantive response, she said, was a visit from a CBBB official who said results would be slow and perhaps years in coming. Later in the hearings, another industry official indicated the CFA complaints would be getting prompt attention. They involve: STP Oil Treatment; ALPO dog food; Drano and Liquid Plumb; AT&T (or any other utility) spending money on advertising to increase service rather than on maintaining and improving existing service; "half-truths" in ads for Shell Oil, Texaco, American Petroleum Institute, and the Assn. of American RR's.

SUPPORT NEEDED FOR NEW BACON PACKAGING REGULATION

So USDA doesn't get cold feet, consumers should be sure this agency has plenty of support for its proposed improved bacon packaging rule. Under the new regulation consumers will be able to see the full width and at least 70% of the length of a representative strip of bacon. Consumer complaints and a campaign waged largely by White House Consumer Affairs Director Virginia Knauer have induced USDA to draft the pending rule. If approved, bacon packagers will have six months to use up old package stock and meet new requirements. Consumer comment is due in duplicate by June 20: Hearing Clerk, USDA, Washington DC 20250.

MACAP HONORS MARGOLIUS

Consumer columnist Sidney Margolius has won recognition by an industry-sponsored consumer advisory panel that claims credit for getting certain manufacturers to improve their warranties. Margolius accepted a \$250 cash award with the stipulation it would be passed on to CFA. All this was part of the Major Appliance Consumer Action Panel's annual report luncheon and seminar in May. MACAP declines to name which of its sponsoring manufacturers have actually changed warranties. They talk mainly about their procedures in dealing with 4939 complaints received from consumers in the past two years of which 73% are resolved, 23% are pending, and 4% are not settled to the consumers' satisfaction. Margolius' award was for his many news columns on appliance service problems and what consumers can do about them.

PATMAN PUSHES OVERHAUL OF WAGE-PRICE SYSTEM

One of the most powerful men in the House of Representatives--Banking & Currency Chairman Wright Patman (D-Tex)--apparently figures the Nixon Administration's wage-price program can be salvaged. He's proposing that Congress put an Office of Consumer Counsel in the Price Commission and Pay Board setups. It would be armed with broad powers to evaluate and challenge all wage-price decisions. Patman says he'll hold hearings around the country this summer to find out why the program has failed and to get reaction to the Counsel and other ideas for shaping up the entire stabilization effort.

If Patman is rankled by the Program's failure to either win the war against inflation or the public's confidence, he's not alone. Congress' Joint Economic Committee (all GOP members dissenting) has just blasted the Price Commission for "contempt for the consumer" in displaying "favoritism" for the New York Telephone Co. and General Foods Corp.

Obviously eying general overhaul of the program, Patman says he's looking for greater public disclosure of wage-price information, fuller public hearings, more specific standards and criteria on which to base decisions, and a sharper line of responsibility for controlling such items as interest rates, dividends, and profits. All these--not to mention the Consumer Counsel concept already on the drafting table--are likely to be sore points with the Administration bucking them all the way.

W-P Update

Patman's attack on wage-price controls comes after 9 solid months of confusion and controversy. Typical of much that's gone before, here's how May shapes up on this front:

- . 5-million small firms are now exempt from controls, a decision immediately countered by a Washington, DC AFL-CIO Watchdog survey showing that these exempt food retailers are charging anywhere from 33% to 53% more than the bigger supermarkets.
- . IRS says it's tallied nearly 2-million inquiries about price, rent and wage controls since Nov. 15...that some 50,000 of 85,000 complaints actually filed are on price increases...also says it will be auditing medium size companies.
- . At first blush, it seemed great numbers of firms did not make the required quarterly reports on profits (the Price Commission's single most tangible means of determining if companies are staying in line)...then admitted Commission goofs that somehow some reports received were not recorded, leave unclear just what the compliance score is.
- . Price Chairman Grayson is now worrying about a potential price explosion once controls are lifted.
- . To the surprise of many and certainly contrary to the Nixon Administration's line, an economic advisor to the President (in a speech apparently not cleared) has predicted an end to all controls in about a year. According to the Cost of Living Council--the umbrella organization for all stabilization work--controls will stay on until inflation is blunted. Meanwhile, COLC says employment is up, price increases have slowed, purchasing power is climbing and the program working.

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Wage-Price, cont.

. The Price Commission doesn't seem so satisfied unless it's playing games. Commission officials say they are now considering a 3% lid on a big chunk of the service industry to stop excessive increases by hotels, sport events, movie chains, auto repair firms, film developers, large laundries and others.

Patman Recommendations

Patman's proposals for some fundamental changes are viewed as a starting point for Congress in working to revamp the system and the basis for public comment during the upcoming oversight hearings:

1) Establish Office of Consumer Counsel to represent consumers before both the Pay Board and the Price Commission: fully financed with staff of lawyers, economists and accountants equipped to evaluate and challenge any decisions on wages and prices; authorized to utilize services of the General Accounting Office; have access to all books and records of the Pay Board and Price Commission; have right to request subpoenas for additional information; have standing before Pay Board, Price Commission and courts in representing consumers; Counsel to be appointed by leaders of House and Senate and Chairmen of committees with direct jurisdiction over the W-P program.

2) Provide statutory designations for the various boards and commissions assigned to carry out the W-P program: specify nearly as possible the type of representatives appointed to such entities; require that all boards and commissions appointed represent as nearly as possible all segments of the economy with emphasis on consumers, making certain big business interests are balanced with fair representation for small businesses; and tighten provisions against conflicts of interest.

3) Abolish such ad hoc committees as the Committee on Interest & Dividends and require these areas be placed under direct jurisdiction of the Price Commission. At present, interest rates and dividends are

looked at by a committee of Administration officials who have made the decisions bringing about high interest rates. By placing all jurisdiction of this kind in a single body, the public will have better opportunity to obtain facts and challenge decisions.

4) Provide full disclosure of all records and pricing procedures whenever an application is filed for a price or wage hike.

5) Provide full public hearings with ample notice to the public and opportunity for calling witnesses.

6) Spell out more fully criteria and standards under which Price Commission and Pay Board operate.

7) Spell out authority of Pay Board and Price Commission to make certain the original jurisdiction resides with these bodies and not with ad hoc committees and councils established willy-nilly by the President. This is to prevent such boards as the Cost of Living Council from seizing jurisdiction and interpreting sections of the Economic Stabilization Act for political purposes. Many of the problems of misinterpretation of Congressional intent have flowed from COLC decisions.

8) Require that standards and criteria for decision-making be simplified and provide for wider dissemination among the general public.

9) Establish regional wage-price offices to direct and supplement the enforcement machinery now operated by IRS.

Capitol Hill staffers believe Patman's hearing schedule may be decided by mid-June. Consumer views on the Chairman's recommendations are welcomed at the hearings or in writing: HON. WRIGHT PATMAN, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON DC 20513.

FILTH REPORT: NEW LOW FOR FDA

As might be expected, recent disclosures of widespread filth in food processing plants may force an upgrading of the government's inspection system. Right now FDA is responsible for making sure food is safe, pure and wholesome. But this agency argues it is under-financed, under-staffed and overburdened--longstanding excuses that find less and less sympathy on Capitol Hill. Some sources see the solution in passage of a bill transferring all FDA responsibilities to a new, independent consumer safety agency. This proposal was worked out by the Senate Commerce Committee long before the General Accounting Office's shocking report that some 40% of the nation's food plants operate under sordid circumstances.

FDA Commissioner Charles Edwards says the answer is a rapidly expanded FDA inspection program. He'll be asking Congress to come up with enough money for 300 more inspectors to permit FDA inspections in each of the country's 4550 plants once every four years. Now these are inspected every seven years.

Edwards has a lot of convincing on his hands. In a confrontation with Sen. Abraham Ribicoff (D-Conn) shortly after release of the GAO study, Edwards lost considerable ground. Ribicoff couldn't be persuaded that consumers aren't willing to pay more for foods without rodent droppings and insect fragments. Edwards and others contended that the cost of zero filth level is more than the traffic will bear and technology can't meet the challenge anyway. Ribicoff found less palatable the notion that food is acceptable because the filth in it has been cooked, seived or whatever-- a point used by FDA to justify existing tolerance levels.

Although the solution isn't yet clear, the problem is. As GAO puts it: major insanitary conditions observed in the food plants include rodent excreta and urine; cockroach and other insect infestation; nonedible materials found in, on, or around raw materials, finished products, and processing equipment; improper use of pesticides in close proximity to food-processing areas; use of insanitary equipment; dirty and poorly maintained areas over and around food-processing locations.

FDA ON UPSWING WITH OPEN DOOR POLICY . . . ALMOST

There are times when FDA casts off the shackles and rises above most everybody's expectations and these occasions should be noted.

It's probably more important that FDA has tentatively decided to shed the giant cloak of secrecy surrounding agency affairs than to dwell too much on whether its unprecedented freedom of information proposal was deliberately timed to counter widely supported legislation in Congress to dismember FDA. Granted the Senate may pass a comprehensive product safety law putting all FDA's functions in a new safety agency. CFA is a strong backer of this measure. But it's also important to comment on any promising actions by this agency.

Under the new information proposal--subject to review and comment until around July 1-- the public would have almost full access to discussions and correspondence between FDA and industry officials, Congress and groups outside government. Some 90% of FDA's information (now considered confidential) will be disclosed. This means, for example, the public would have far greater access to safety and effectiveness data on food and color additives, on antibiotics and adverse reactions and complaints. FDA officials claim only about 10% of the written data housed by FDA would be kept secret. Internal

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FDA Upswing, cont.

operating manuals, informal enforcement actions and completed testing and research reports would generally be public. Trade secrets, formulas, active investigatory files, certain internal and governmental correspondence would stay secret. Manufacturers would have to justify all requests for confidentiality. (Comments should be sent: Hearing Clerk, DHEW, Room 6-88, 5600 Fishers Lane, Rockville, Md. 20852)

Not all the news from FDA is of such a positive character. The resignation of Deputy Commissioner James D. Grant who's due to join CPC, Int'l, a world-wide food company, has been announced. This kind of musical-chairs switch between regulators and the regulated has, in the past, done little to enhance the credibility of FDA's integrity. An important provision in pending product safety legislation which threatens FDA's existence would prohibit government safety officials from employment by regulated industries for 12 months after termination of service.

PEOPLE, PLACES & THINGS

. The Oregon Consumers League's May newsletter is a good example of how to develop a legislative voting record and candidate questionnaires.

. The U. of Wis. Center for Consumer Affairs, directed by CFA President Helen Nelson announces a July 10-21 course "On Becoming a Consumer Spokesman." Course fee and lodging on the Milwaukee campus total \$177. For details write: U. of Wisconsin-Extension, 600 West Kilbourn Ave., Milwaukee 53203.

. Rhode Island's Consumers' Council reports passage of these consumer measures by the legislature: precedent-setting extension of home sales transactions to include cash sales; unit pricing; an odometer law; a wage-earners receivership plan (alternative to declaring personal bankruptcy); state regulation and control of franchised investments; regulation of out-of-state land sales and developments; regulation of games-of-chance with criminal penalties.

. A mimeographed booklet called "A Shoppers Guide to Life Insurance" published by the Pa. Insurance Dept. reportedly reveals about all anyone wants to know about rates, including price variations up to 170%. For a free copy write: State Insurance Dept., Finance Bldg., Room 108, Harrisburg, Pa 17120.

. The government's mandatory oil import program is being challenged in U.S. District Court by the New England Governors' Conference, the states of Conn., Maine, Mass., New Hampshire, Rhode Island and Vermont, Consumers Union, and Public Citizen, Inc. The suit claims that U.S. oil import restrictions cost consumers about \$5-billion a year more than if restraints did not exist. In separate action, Consumers Union is charging the State Department of illegally negotiating a steel import quota that violates Sherman antitrust laws as well as provisions of the 1962 Trade Expansion Act.

. The UAW has published an impressive survey of Michigan food prices. It includes methodology, findings, recommendations, market basket data, instructions for surveyors, and ranking of stores. Contact Mildred Jeffrey, Coordinator, UAW Consumer Affairs Dept., 8000 Jefferson, Detroit. The study was done by UAW in cooperation with Consumer Alliance of Mich., Consumer Research Advisory Council, Mich. Credit Union League, and United Active Women.

. It's official. Lee Richardson is now Staff Director, Consumer Education Div., Office of Consumer Affairs, under OCA Director Virginia Knauer.

EVER PLAYED "PRIME TIME SELF-DIAGNOSIS"?

This is a new game invented by Sen. Frank E. Moss (D-Utah). It's cheating if you've had your annual physical. A gambling game, played with dice (like monopoly), the board squares are marked:

- (1) You have simple arthritic pain--buy one of any aspirin compound;
- (2) You have minor muscular pains--buy a different aspirin compound;
- (3) You have a simple tension problem--buy a 3rd aspirin compound;
- (4) You've consumed too much aspirin, you have ulcers which you had all the time anyway, and they are now bleeding;
- (5) Go directly to the hospital;
- (6) You don't know you have ulcers so you buy an antacid;
- (7) The antacid doesn't work--it has stopped up your system so you buy a laxative;
- (8) The laxative has disturbed your kidney function so you buy a diuretic;
- (9) The diuretic gives you a back-ache, so you buy a simple pain reliever--go back to aspirin compounds.

Says Moss: the winner is the player who goes to the doctor's office in the center of the game board first. In remarks before the American Advertising Federation recently, Moss charged that the principle of self-diagnosis promoted by most analgesic advertisers may be more dangerous than incentives for pill-popping.

REPORT FROM VIRGINIA CITIZENS CONSUMER COUNCIL . . . "Despite all the publicity, and all the promises by the retail merchants and infant formula manufacturers, the Va. Dept. of Agriculture & Commerce has found that 10% of all food stores and 30% of all drug stores surveyed in the state still sell outdated formula."

ANOTHER WAGE-PRICE MILESTONE

Remember the flap over base price lists? When IRS incredibly announced that the up-shot of price violations was confidential? The days of reckoning when utility rates, rents and meat prices outdistanced even the pessimists?

Now we can chalk up still another milestone in the beleaguered wage-price program. When the Commission announced with much fanfare that companies with excessive profits faced price rollbacks and refunds might be due consumers, CFA fired off a query as to what specific goods, services and other things were involved so consumers could seek rebates.

We're told by the Price Commission that this information is available, that it is published in Daily Decision Reports that go to the news media and IRS offices throughout the country.

We called a local IRS office. No, they didn't have anything. Try Baltimore. No, they didn't have information for consumers who just want to know. It could only be given out if the consumer is directly involved. How does the consumer know if he's involved? Well, maybe he ought to write the Commission again.



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