CFA CFAnews

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Inside This Issue . . .

Congressional heroes were honored by CFA at a Capitol Hill press conference in March .... page 1

The Consumer Product Safety Commission is up for reauthorization again and the White House wants more cutbacks in staff and budget . page 3

In testimony before the Senate, Legislative Director David Greenberg opposed the Administration's plan to decontrol natural gas .... page 2

Congressional Heroes Honored by CFA

Consumer Heroes from the Senate and House were honored at a Capitol Hill press conference on March 23, as the Consumer Federation of America released its 1982 Voting Record for the second session of the 97th Congress.

Minority Whip Alan Cranston (D-CA), with a 93% voting record, Howard Metzenbaum (D-OH) also with a 93% record, and William Proxmire (D-WI) with a 100% record, represented the Senate Heroes.

Consumer Heroes from the House were represented by Congressmen Don Edwards (D-CA), Frank Annunzio (D-IL), and Richard Ottinger (D-NY), all of whom compiled perfect scores. There were six Representatives with 100% ratings, and 34 House Members who qualified as Heroes with scores of 92%.

CFA Legislative Director David Greenberg told the gathering that the economy was the central issue in the last Congress, with Members of Congress voting "again and again on the gut pocketbook issue closest to the economic survival of millions of Americans."

The difference between the voting records of the Heroes and Zeroes Greenberg said, is that "the Members who stand here today as Heroes, stood steadfastly for the pocketbook of the folks back home. They were confronted with some very basic choices, choices that brought them great political peril. And they stood with us."

he said. In the Senate, Zeroes outnumbered perfect scores 4 to 2; in the House, Zeroes dominated 24 to 6.

These figures show "who is on the side of the people and who is against them," Senator Metzenbaum told the press conference. "Perhaps," he added, "this is a better way to categorize political candidates than to say they are either Democrat or Republican."

Party affiliation did prove a significant indicator, however, in the outcome of the CFA analysis. Democrats outranked Republicans in both Houses: 68% to 23% in the Senate, and 66% to 24% in the House. And, as in 1981, freshmen members of both Houses, on the average, scored 10 points below their veteran colleagues.

"Tone-Deaf"

Congressman Frank Annunzio blamed the dismal voting record on the leadership in the White House, saying "Ronald Reagan has set the tone on consumer legislation and when it comes to the people, the President is tone-deaf."

Representative Dick Ottinger added that consumers and the Congress are now faced with their greatest challenge. It is a challenge about which Greenberg is optimistic.

"We had a surprising number of consumer victories in 1982," he said. "Often under the leadership of the Senators and Representatives with me today, consumer groups and their allies stopped legislation to eliminate state usury laws, staved off a serious attack on product liability standards, fought off an attempt to weaken food safety laws, and held off a variety of industries seeking to gain special exemptions from antitrust laws.

"Our Heroes here today support the goals and programs of the consumer movement. We expect to see them again as next year's Heroes, joined by a significant number of their colleagues."

The 1982 Voting Record is available from CFA for $10.

CFAnews photo by Anne Averyt

David Greenberg introduces Consumer Heroes at Capitol Hill press conference. Congressmen attending included: (r-l) Sen. Howard Metzenbaum, Sen. Alan Cranston, Rep. Frank Annunzio, Rep. Richard Ottinger and Rep. Don Edwards.

The Voting Record analyzed Congressional votes on a wide variety of issues from natural gas decontrol, and the used car rule, to FTC jurisdiction over the professions, and support of generic drugs. Other issues included taxes, energy prices and home mortgages.

Senator Alan Cranston, expressing pride over his record on the issues, lamented that the Senate as a whole had such a poor consumer record.

According to Greenberg, the Voting Record indeed "reveals a Congress whose impact on gut economic issues was mixed at best." The total Senate averaged only 44%, the House 47%. "Broken down," Greenberg said, "these numbers produced only 11 victories out of the 27 votes we looked at.

"While we are very proud of the effort of our Heroes, we must admit they were outnumbered by Zeroes—Members who failed to cast even one right vote,"

1982 VOTING RECORD

SENATE

Heroes		Zeroes	
Dodd (D-CT)	100	Goldwater (R-AZ)	0
Proxmire (D-WI)	100	Laxalt (R-NV)	0
Cranston (D-CA)	93	Tower (R-TX)	0
Kennedy (D-MA)	93	Wallop (R-WY)	0
Metzenbaum (D-OH)	93		
Sarbanes (D-MD)	93		

HOUSE

Heroes		Zeroes	
Annunzio (D-IL)	100	Badham (R-CA)	0
Edwards D (D-CA)	100	Brown (R-CO)	0
Gore (D-TN)	100	Campbell (R-SC)	0
Harkin (D-IA)	100	Cheney (R-WY)	0
Ottinger (D-NY)	100	Collins, J. (R-TX)	0
Yates (D-IL)	100	Corcoran (R-IL)	0
Addabbo (D-NY)	92	Crane, D. (R-IL)	0
Bailey (D-PA)	92	Dannemeyer (R-CA)	0
Beilenson (D-CA)	92	Dornan (R-CA)	0
Collins, C. (D-IL)	92	Dreier (R-CA)	0
Conyers (D-MI)	92	Goldwater (R-CA)	0
Coyne, W. (D-PA)	92	Grisham (R-CA)	0
Crockett (D-MI)	92	Hansen, G. (R-ID)	0
Daschle (D-SD)	92	Hansen, J. (R-UT)	0
Dellums (D-CA)	92	Jeffries (R-KS)	0
Fary (D-IL)	92	Lungren (R-CA)	0
Glickman (D-KS)	92	McDonald (D-GA)	0
Howard (D-NJ)	92	Moorhead (R-CA)	0
Kildee (D-MI)	92	Rousselot (R-CA)	0
Markey (D-MA)	92	Shumway (R-CA)	0
Mitchell, P. (D-MD)	92	Stump (D-AZ)	0
Nowak (D-NY)	92	Walker (R-PA)	0
Oakar (D-OH)	92		
Oberstar (D-MN)	92		
Pepper (D-FL)	92		
Rangel (D-NY)	92		
Reuss (D-WI)	92		
Rosenthal (D-NY)	92		
St Germain (D-RI)	92		
Scheuer (D-NY)	92		
Schumer (D-NY)	92		
Seiberling (D-OH)	92		
Shannon (D-MA)	92		
Stokes (D-OH)	92		
Studds (D-MA)	92		
Vento (D-MN)	92		
Waxman (D-CA)	92		
Wirth (D-CO)	92		
Wyden (D-OR)	92		

Decontrol Package Would Profit Producers at Consumers' Expense

In recent testimony before the Senate Energy Committee, CFA Legislative Director David Greenberg questioned the wisdom of the Administration's natural gas decontrol package.

Noting that "perhaps no other legislative issue matters more to the 35 million consumers affiliated with CFA," Greenberg outlined a series of harmful economic consequences that would result from the implementation of the proposed measures.

As a CFA study conducted by Ann Lower and Agnes Tabah revealed, decontrol of old gas prices would transfer $40-70 billion from consumers to the 20 largest gas producers and billions more to the rest of the gas industry. Five major companies—Gulf, Mobil, Texaco, Exxon, and Shell—stand to gain 40% of the increased revenue to the top twenty producers.

The cost to urban households using natural gas would be considerable—more than $1,000 in three years, acording to the Citizen Labor Energy Coalition. But the burden placed on the whole economy would be just as great. According to Greenberg, "industrial and commercial users would be denied tens of billions of dollars they could use to invest in research, development, and modernization of facilities." Employment Research Associates has estimated that this would strip the economy of approximately three million jobs.

Market Forces Won't Work

To respond to the Administration's claim that decontrol would allow market forces to restrain gas prices, Greenberg made two points: First, the industry is not very competitive. Two-thirds of the old gas market is captive, and "the close affiliation between producers and distributors eliminates arms-length transactions and creates anti-competitive behavior," he said.

Second, the Federal Energy Regulatory Commission (FERC) cannot be counted on to hold down prices when competition fails. According to Greenberg, "FERC recently has made it too easy for producers to classify their wells into the highest price category, has allowed prices within these categories to rise to extremely high levels, and has interpreted the NGPA to allow prices for old gas to increase at unjustified rates."

Would decontrol of old gas ultimately bring down prices by expanding gas supplies? "Because old gas, by definition, has already been discovered," asserted Greenberg, "decontrol would accelerate the rate at which it was pumped from the ground, but would not provide any new incentives for exploration and drilling."

As a remedy for double-digit price increases, CFA supports the Natural Gas Consumer Relief Act which would roll back NGPA price ceilings, maintain controls on old gas, and reform provisions in existing contracts.

"FUNNY, EVERYTIME I GET ONE OF THESE MY BURGLAR ALARM GOES OFF!"

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CPSC Wants Open File

by Blair Tily, CFA Legislative Aide

The Consumer Product Safety Commission, once considered the most open agency in Washington, is fighting off industry attempts to close the door on its complaint files.

In its 1981 reauthorization charter, the Commission was directed by Congress under section 6-B of the Consumer Product Safety Act, to "take reasonable steps" to assure the accuracy of consumer complaint information before releasing it to the public.

Because the Commission has still not adopted such guidelines, consumers and public interest groups have been denied access to complaint information regarding possible product hazards and defects.

In November, 1982 the Commission finally published its proposed rules establishing the procedure for verification of complaint information. The proposal involves returning the complaint to the complainant for additions, deletions and verification of the details. It also requires that a copy of the complaint be sent to the manufacturer when it is received and whenever a public request is made for it under the Freedom of Information Act.

When a complaint is requested, the Commission must allow the manufacturer to review and supplement the complaint, and if they justify it, the manufacturer also has the right to edit or withhold the information.

Although these measures would again allow the flow of consumer complaint information, they represent an undue burden; and because the companies can sue to stop release of any information they object to, the procedures in effect give industry a veto power over the information released to consumers, pointed out CFA Product Safety Director Anne Averyt.

In comments submitted to the Commission regarding the proposed rules, Averyt also argued: "No other federal agency is required to verify consumer complaints and certainly no one has proposed "in-depth investigations" of each consumer complaint released by any other agency. The requirements of 6-B are unjust and unenforceable, and do not serve the agency, industry or the public."

Industry groups are uniting in their support for verification of consumer complaints as their price for the agency's reauthorization this year. In testimoney before the Senate Consumer Subcommittee handling reauthorization, they called for on-site investigations by the CPSC to determine the "objective validity" of allegations made by complainants.

Both CFA and the Commission have withdrawn support of the proposed rules and are focusing on amending 6-B during the reauthorization hearings.

"Clearly the intent of industry is to inhibit the flow of information and place an unjustified economic burden on the Commission," said CFA Legislative Director David Greenberg.

"What we need instead is to put the CPSC back on an equal footing with other health and safety agencies. Consumer complaint information should be released with the simple disclaimer: 'This information was compiled and verified by the complainant only.' "

New Kerosene Heaters Revive Old Hazards

by Robyn Shephard, CFA Intern

At a February hearing to investigate the hazards of kerosene heaters, the Consumer Federation of America urged the Consumer Product Safety Commission to take regulatory action on the heaters because of the threats posed by indoor air pollutants, contact burns and fires.

CFA's greatest concern, according to Product Safety Director Anne Averyt, is the emission of such pollutants as sulfur dioxide, nitrogen dioxide, nitric oxide, carbon monoxide and carbon dioxide.

A number of independent studies by state public health department, universities and Consumers Union, all indicate that the emission levels of these pollutants can exceed established health standards when the heaters are used under normal conditions.

Exposure to the pollutants can aggravate pre-existing heart and lung disease, asthma, anemia and certain allergies.

In addition to indoor air pollution, the current popularity of the heaters has been accompanied by an increase in thermal contact burns and fires.

"The problem of contact burns will exist whenever an exposed heat source is present," Averyt said. "Development of a safety shield covering the exposed hot surface of the heater is essential."

Though a variety of fire hazards exist with the use of kerosene heaters—from the presence of an open flame in the home to the storage of fuel—Averyt said the most significant fire hazard appears in conjunction with the use of improper, highly flammable fuel, such as gasoline, instead of the required grade of kerosene.

Because of the frequency of accidents through the use of improper fuel, CFA also urged the Commission to mandate the pre-packaging of 1-K fuel or equip kerosene cans with a reduced aperture to prevent them from being filled from a gasoline pump.

The Commission is expected to release findings in June from tests currently underway to determine the emission levels of various pollutants from kerosene heaters. According to CPSC officials, the Commission is attempting to reach a decision on regulation of kerosene heaters before next winter, when sales of the heaters are expected to increase.

CFAnews

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Administration Wants Cuts In CPSC Budget and Staff

by David I. Greenberg, CFA Legislative Director

Twenty five thousand people die each year in accidents involving consumer products. Millions more are injured. Yet, the one federal agency with a chance to do something about these gruesome statistics—the Consumer Product Safety Commission—is so small and overworked that it even lacks the funds to revise an inadequate, thirty-year-old clothing flammability standard which a common newspaper could meet, according to a Minnesota court.

The Reagan Administration has a response to this crisis. Unfortunately, it comes straight from the pages of Emperor Nero's Book of Public Policy. For, even in the face of massive numbers of deaths and injuries from unsafe products, the Administration and OMB propose to cut the CPSC's budget and further reduce the number of its scientists, economists, statisticians and health specialists.

Those with a sense of history will recall that we have been down this path before. In 1981, the Administration sought to eliminate the Commission. While Congressional opposition and the outrage of citizen groups led by CFA's Consumer Product Safety Network, backed the Reagan crowd down, they nevertheless succeeded in lopping 33% off the CPSC's appropriations.

Those cuts have dramatically weakened the Commission's ability to act against unsafe products. Major investigations have been shut down, research efforts suffer from a 32.1% loss of scientific and technical personnel, several thousand consumer complaints are backlogged, and investigators wait weeks or months to conduct on site investigations of serious injuries in order to bunch cases and reduce travel costs. The Commission even declined an invitation to list its children's safety publication with three national family magazines because it did not have the funds to handle the requests such a listing would generate.

Those with a sense of history will recall that we have been down this path before.

Industry has taken note of the CPSC's increasing inability to police the marketplace. Voluntary reporting of possible product hazards—which is required under the Consumer Product Safety Act—dropped by 52% between 1979 and 1982.

Matters will deteriorate further if the Administration succeeds in cutting the Commission once again. Compared to 1980 levels, the proposed CPSC budget will force company inspections to fall by 65%, recall checks by 84%, and product samples collected by 56%.

Even more ominously, the Commission will be forced to cancel or delay critical work designed to help eliminate 250,000 fires and 900 deaths each year which result from coal and wood stoves and faulty appliances and circuitry. The same immediate or slow death awaits the CPSC investigations of: asbestos-related cancers from boilers, air ducts and furnaces; allergies caused by hazardous chemicals in consumer products; and 275,000 injuries a year caused by power tool accidents.

Fortunately, the first round of Congressional action suggests that the Administration will not succeed. The Senate Commerce Committee rejected the Reagan budget numbers of $32 million and agreed on a modest budget increase, authorizing the CPSC at $35 million for fiscal years 1984 and 1985. It was especially significant that Senator Robert Kasten (R-WI), Chairman of the Consumer Subcommittee, for the first time broke from the Administration's request and supported more money for the Commission.

Business Opposition Expected

But even this $35 million figure is grossly inadequate. At the very least, the CPSC needs its purchasing power restored to pre-1981 levels. That means a budget in the neighborhood of $48 million. The Commission also needs to be reauthorized for a sufficient period of time to allow its scientists to undertake the long range research necessary to confront increasingly complex chronic and toxic hazards. Only a reauthorization of five to six years will be sufficient to stem the outflow of the CPSC's most experienced and valuable personnel.

These proposals form the basis for the reauthorization bill recently introduced by Congressman Henry Waxman (D-CA). That bill is likely to generate tremendous opposition from the business community. As a consequence, the supporters of a strong Commission must make themselves heard. CFA intends to lead this fight to restore the CPSC, not only in Washington, but around the country, by activating and strengthening the *Consumer Product Safety Network*, a grassroots coalition of consumers, health professionals and others.

FTC Funeral Rule Makes Final March

The battle over the Federal Trade Commission's proposed funeral rule may soon be over. If Congress doesn't veto the rule by mid-May, it will automatically become law in late November.

On February 24, Congressman Marty Russo (D-IL) introduced a resolution in the House to veto the proposed rule. The resolution has garnered no co-sponsors, however, and sits idle in the Commerce, Transportation and Tourism Subcommittee of the House Energy and Commerce Committee.

No veto resolutions have yet been introduced in the Senate. Instead, several key Senators have publicly supported the proposed rule. Key Senate leaders Bob Packwood (R-OR) and Fritz Hollings (D-SC) addressed the funeral rule issue in speeches at CFA's annual Consumer Assembly, pledging their support of the FTC proposal.

In a major development in early March, Senator Robert Kasten (R-WI), chairman of the Consumer Subcommittee of the Senate Commerce Committee, issued a strong statement in support of the funeral rule. Kasten's support is vital because any veto resolutions introduced to the Senate would have to pass through his Consumer Subcommittee.

The funeral rule has been on the drawing board at the FTC for nearly a decade. As now proposed, the rule would provide basic consumer protection by requiring itemized price disclosure, prohibiting misrepresentation by funeral directors regarding the legal requirements or preservative powers of embalming, caskets or vaults. It would also prohibit certain unfair practices such as embalming for a fee without permission or conditioning the purchase of any funeral services or goods on the purchase of other goods or services.

While the fate of the funeral rule looks good, the battle is not yet over. Funeral directors are expected to stage a final attack during April to secure a veto. Consumers should continue to contact their legislators in both the House and Senate, and stress the importance of the FTC funeral rule and the need to keep the rule intact.

Advertisers Seek Exemption from FTC Authority

In a March 18 hearing before the Senate Commerce Committee, CFA Legislative David Greenberg squared off against a panel of three major advertising trade associations who once again seek to exempt commercial advertising from the Federal Trade Commission's power to stop unfair acts and practices. Greenberg stressed that without its unfairness authority, the FTC would be powerless to take action against ads that encourage dangerous imitative behavior by children as well as ads that deny critical product information to consumers. He also urged that the Commerce Committee reject the exemption for advertising as a way to "stop the pilgrimage of special interest groups seeking privileges from Congress."

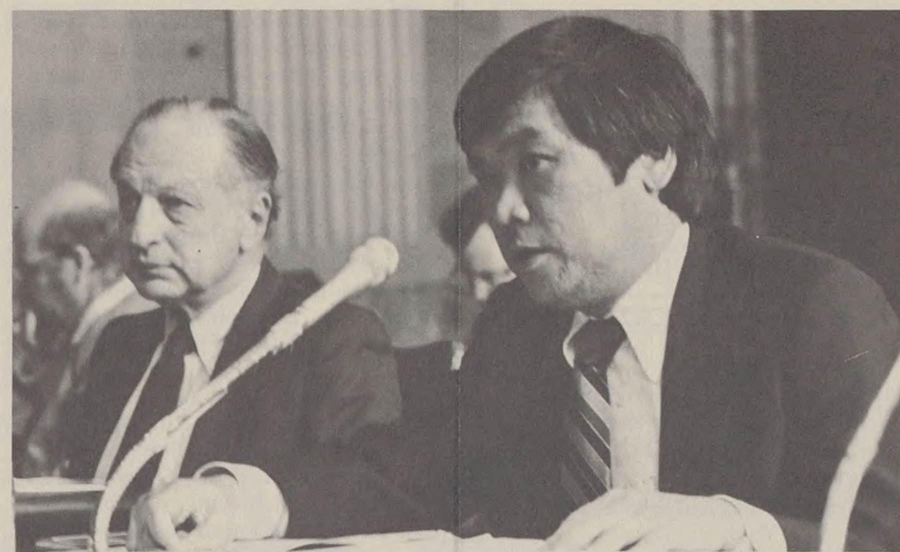
Real Consumer Loan Rates Remain at Historic High

In recent testimony before the Consumer Subcommittee of the Senate Banking Committee, CFA Legislative Representative Glenn Nishimura explained why consumer loan rates remain high, singling out rising state usury ceilings and unsound bank lending overseas as particularly influential.

Nishimura began by calling attention to the persistence of historically high real interest rates. "Between 1960 and 1980," he noted, "the prime rate never exceeded the inflation rate by more than 2.7%. Yet in 1981, the real rate shot up to 8.5%; in 1982, increased to 8.8%; and in January 1983, stood at 9.5%."

According to a study completed by Susan and Stephen Brobeck last fall, in the preceding two years consumer rates rose while the prime rate declined by one-third. Although consumer rates have declined 2–3 percentage points since then, real consumer rates charged by banks remain at historic highs—between 10 and 20%. And, most banks have refused to lower rates on credit cards.

In his analysis of these high rates, Nishimura challenged the explanation advanced by banks and finance companies with its emphasis on increasing consumer bankruptcies and rising cost of funds. "During previous periods of high bankruptcies there was no corresponding increase in real consumer rates," he said. "Furthermore, only one-tenth of one percent of consumer installment debt has been lost in bankruptcy proceedings."


CFAnews photo by Anne Averyt

CFA Legislative Representative Glenn Nishimura testifies before Senate Consumer Subcommittee on a panel with Henry Schechter, AFL-CIO.

While conceding that the recent introduction of new consumer accounts had increased banks' cost of consumer funds, Nishimura demonstrated that the additional cost has been greatly exaggerated. He also pointed out that approximately $300 billion of commercial bank deposits remains in no or low-interest paying accounts—regular checking, and passbook savings. Moreover, in the past half-year the rate charged by the Federal Reserve to member banks has declined by one-third.

More important, according to Nishimura, has been increased bank lending to the Federal government and to foreigners, which has put upward pressure on rates by restricting the availability of credit. "Increased lending to the government has functioned principally to cover rising deficits," he asserted. "And the prospect of a $200 billion deficit in FY 84 has much to do with the reluctance of banks to lower long-term rates."

In the past several years, the "withdrawal of savings" from the U.S. through international bank lending has also reduced the availability of domestic credit. Between December 1979 and October 1982, the liabilities of foreign branches of U.S. banks to the U.S. rose 150%, from $66.7 to $169.3 billion. Thus, not all of the five-fold expansion of foreign lending by U.S. banks represents the recycling of petro-dollars.

The single most important reason for high consumer rates, emphasized Nishimuira, has been the rise in state usury ceilings. Over the past two years, 44 states have raised or eliminated their limits on consumer rates. There is ample evidence that banks and finance companies have followed up these hikes with their own rate hikes. Shortly after New Jersey allowed finance company rates to increase 30%, for example, loan companies raised their rates by 6–7 percentage points to a point just below the allowable rate.

The cost of high rates to consumers and the whole economy has been enormous, stressed Nishimura. "Every one percentage point increase in consumer rates has cost consumers an additional $3.5 billion in interest payments annually," he said. "Without a doubt, the continued depression in auto and housing is due in no small measure to the continuation of high rates."

CWIP Decision Could Cost Consumers Billions

The Federal Energy Regulatory Commission (FERC), which last year attempted to decontrol natural gas prices administratively, has a new way to raise utility bills this year.

According to CFA Legislative Director David Greenberg, FERC's March 10th decision to allow 50% of construction work in progress to be included in utility bases "is the latest twist in its policy of enriching utilities at the expense of consumers."

Construction work in progress or CWIP has long been a painful thorn in consumers' sides, Greenberg said. In fact, in several states, utility activists have been so enraged by the idea of being forced to pay for plants that may never come on line, they took the CWIP issue to the ballot and won prohibitions or restrictions against CWIP.

While FERC's decision applies to wholesale power purchases, the decision could set a precedent for state utility commissions which often look to FERC for policy guidance. If FERC policy is followed by the states, consumers could pay as much as $12 billion in utility surcharges each year.

"What is particularly maddening about FERC's decision is that utilities have already been receiving record rate relief from their state commissions," Greenberg said. "On top of $8.34 billion in increases in 1981, investor owned utilities were granted an additional $7.57 billion in 1982, $2.83 billion of that in the last quarter alone. Utility arguments concerning their desperate financial straits appear to be dubious in light of these record increases and the fact that 91 utilities announced dividend increases last year," he added.

The FERC decision is likely to fuel the already strong sentiment building

"It's the latest twist in FERC's policy of enriching utilities at the expense of consumers."

against CWIP on Capitol Hill, Greenberg said. Congressman Tom Harkin's bill (H.R. 555) to limit CWIP to demonstrated proof of financial necessity already has garnered 70 co-sponsors. Similar legislation is expected to be introduced in the Senate soon. A strong coalition effort in support of such legislation, led by CFA-member group, the American Public Power Association, will generate strong grassroots support to cut back on FERC's costly decision, Greenberg said.

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