

## CFA Asks CPSC Action on Methylene Chloride

**C**onsumer Federation of America has petitioned the Consumer Product Safety Commission (CPSC) to declare methylene chloride a hazardous substance and to protect the public from its harmful, carcinogenic effects.

The chemical is widely used in paint removers and aerosol sprays. A chloro-carbon used as a multipurpose solvent, methylene chloride currently is the subject of an expedited review by the Environmental Protection Agency (EPA).

### Studies Show Danger

EPA launched the review after studies found that methylene chloride causes lung and liver tumors in mice and mammary tumors in rats. The studies were done by the National Toxicology Program, a federal scientific agency charged with review of toxic chemicals.

The Occupational Safety and Health Administration (OSHA) is also reviewing the substance in response to a petition by the United Auto Workers. The UAW peti-

tion seeks immediate action to strengthen workers' protection.

OSHA established a 500 parts-per-million worker exposure limit in 1971, but the National Institute of Occupational Safety and Health, OSHA's research arm, has long advocated a much lower, 75 parts-per-million limit.

### Cancer Risks 'Among Highest'

CPSC's briefing paper on methylene chloride says that laboratory tests indicate that its cancer risks to consumers "are among the highest ever calculated for chemicals from consumer products."

The commission document concluded that "it is imperative that action be initiated to reduce consumer exposure."

Despite these findings, however, the commission currently is doing nothing more than gathering information from producers on the chemical's uses.

CFA's petition asks CPSC to immediately declare methylene chloride a hazardous substance, which under the law would

require mandatory labeling to inform consumers of the cancer risk.

"We have also requested that the commission commence rulemaking proceedings to ban the substance in consumer products or, at a minimum, to declare a maximum amount of methylene chloride allowed in any one consumer product," said Mary Ellen Fise, CFA Product Safety Director.

### Consumers Unaware of Risks

Despite the clear evidence that methylene chloride is a carcinogen and has other adverse health consequences, Fise said "consumers continue to use paint strippers and aerosol paints containing the chemical, without taking protective measures, because they are unaware of the risks."

Fise pointed out that it is not at all uncommon for a person to strip paint off furniture in a basement or workroom with minimal ventilation.

"According to CPSC's own estimates, this activity—performed just once a year—

causes an increased cancer risk of three in 1,000," she said.

Fise commented on the irony that, while chlorocarbons are a priority project of CPSC this year, the commission has failed to warn the public of the known danger associated with methylene chloride.

"The commission should not ignore the chemical's significant risks," she said, "and leave consumers to defend themselves against its toxic fumes."

### Massive Amounts Sold

At least 240,000 tons of methylene chloride are sold in the United States each year, according to industry figures. More than half of it is used in paint removers and aerosol products, including spray paints, hair spray and insecticides.

Methylene chloride was one of the chemicals that escaped from the Union Carbide plant in West Virginia earlier this year. EPA is conducting a separate study of the health threat posed by emissions of methylene chloride from chemical plants.

## CFA Backs Credit Union Exemption

**A** proposal to tax credit unions "poses a serious threat to the essential nature of the credit union movement and would result in the curtailment of many consumer benefits," CFA Legislative Representative Alan Fox recently told the House Ways and Means Committee.

Fox joined several representatives of the credit union movement in opposition to a little-known provision of the tax reform bill which would remove the tax exemption credit unions have had since 1937. Under the proposal, credit unions with assets of less than \$5 million would retain the tax exemption.

Credit unions "pioneered in making available the most consumer-oriented financial services available," Fox said. "They have continued to provide these basic services to their members even as the financial system as a whole has undergone a rapid series of bewildering changes, leaving most consumers with higher costs and less reliable information on which to base decisions."

### No Profits to Tax

Fox and credit union representatives pointed out that credit unions have no profits to tax. The proposal would re-



CFA Legislative Representative Alan Fox, right, testifies in opposition to abolishing credit unions' tax exemption before the House Ways and Means Committee. Credit union representatives who testified are, from the left: Attorneys Bruce O. Jolly, Jr. and John Ostby; CUNA President Joe Perkowski, and Robert A. Hess, President of the National Association of Federal Credit Unions.

quire credit unions to either reduce the reserves they use to protect themselves against changes in economic conditions, or eliminate the services which distinguish credit unions from profit-making financial institutions. These services include lower interest rates on loans, low

or no fees on most deposit accounts, free financial counseling, and higher interest rates on savings.

The Reagan Administration proposed the change, arguing that it was necessary to reduce credit unions' competitive advantage over banks. But, as witnesses at

the hearing noted, the entire credit union movement has assets about as large as the largest bank in the United States. Credit unions may serve only their own members, and thus rarely compete directly with commercial banks. They are limited to providing consumer services. "Credit unions were created, and still exist, to serve consumers who are largely ignored by the rest of the industry," Fox said.

He called on Congress to "consider how to make banks behave more like credit unions, instead of the other way around."

### Threat to Consumers

"In the meantime, the proposal to tax credit unions simply threatens the one small portion of the financial market which is most oriented to serving consumers and in which consumers have the greatest control over the conditions of their services," he said.

Fox insisted that "there is nothing to be gained—and much to be lost—by making credit unions function just like banks. Neither consumers nor, ultimately, the U.S. Treasury will benefit from turning credit unions into pale, weak imitations of commercial banks," he said.

Fox projected the resulting revenues (from abolishing the tax exemption) as "small at best, and probably non-existent if the federal government is called upon to rescue a weakened credit union movement."

## FCC Panel Rejects Telephone Lifeline; Proposes \$2 Waiver

Consumer and other public interest groups reacted angrily to rejection of a meaningful federal lifeline telephone program by the Federal-State Joint Board, a panel composed of both Federal Communications Commission (FCC) officials and state regulators.

Instead, the board recommended that the FCC extend an already existing waiver which allows states to exempt low-income consumers from the federally-imposed access fee. Now \$1, the fee will increase to \$2 in June of 1986.

"A \$2 reduction does not a lifeline make," said Gene Kimmelman, Legislative Director of Consumer Federation of America. "This action makes it crystal clear that a competitive telephone system—with these regulators calling the shots—cannot meet consumer needs."

U.S. Representative Tim Wirth (D-CO) was also critical of the recommendation, which the FCC is expected to accept before the end of the year.

A speaker at CFA's 1985 Consumer Assembly, Wirth said then that "any phone increase is burdensome to the poor and elderly for whom the telephone is truly a lifeline."

Wirth is chairman of the House Subcommittee on Telecommunications, Consumer Protection and Finance. He said he was "very disappointed" that the board did not recommend "a plan that underscores and preserves our long-standing national tradition of universally available and affordable phone service."

The board dismissed the strong recommendation of consumer groups for a federal lifeline program requiring phone companies to offer a minimum number of local calls at a reduced rate to low-income consumers.

CFA has consistently argued for a broad lifeline system which would provide for minimum installation charges and a 50 percent reduction in monthly fees for eligible low-income consumers.

"More than one-quarter of the households below the poverty line already lack phone service," Kimmelman said, "and this waiver will do nothing whatever to help them."

The FCC currently waives 50 cents of the \$1 access fee if the states waive the other half. The board's recommendation to increase the waiver to cover the entire access fee is contingent on the states' agreement to reduce rates an equal amount.

Kimmelman sees some indications that Congress will seek a legislative remedy to the FCC's failure to act on a viable lifeline program.

At Consumer Assembly, for example, Howard Symons, counsel to Wirth's subcommittee, assured a workshop that the subcommittee would move legislation on lifeline rates if the FCC did not develop an adequate proposal.

On the Senate side, Senator John Heinz (R-PA) said hearings by the Special Committee on Aging, which he chairs, or other

legislative action "will be appropriate and necessary" if the FCC fails to preserve reasonably priced phone service.

The FCC previously backed off its original access charge proposal after Wirth introduced, and successfully guided to passage in the House, a bill prohibiting access charges on residential users. The legislation resulted in the FCC drastically reducing its fee proposal to the current \$1 and \$2 schedule.

But the board action is clearly a major setback for lifeline proponents. "Our worst fears were realized today," Kimmelman said after the decision was announced. "Both federal and state regulators refused to ensure that basic phone service remain affordable to all Americans."

The board's action is especially frustrating, Kimmelman noted, in view of the fact that Bert Halprin, chief of the FCC's Common Carrier Bureau, told a Consumer Assembly workshop in January that the agency was committed to preventing low-income people from giving up phone service and would "fully investigate" lifeline rates.

According to the FCC, funds for the waiver proposed by the board will be obtained from long distance companies, which will pass on the cost to consumers' long distance phone bills.

The United States Telephone Company, a trade group representing phone companies, praised the board's decision.

## CFA Backs Bill to Cut Sugar Price

Consumer groups, including Public Voice for Food and Health Policy and Consumer Federation of America, are currently supporting House and Senate bills that would lower sugar prices. The expiration of current farm programs this year makes it likely that Congress will deal with the issue of sugar support price levels.

In September, Senators Bill Bradley (D-NJ) and Slade Gorton (R-WA) introduced an amendment to the 1986 farm bill that would lower support prices by one cent annually from 1986 to 1988. This would bring down the support price level from 18¢ to 15¢. The amendment would also remove the freight factor from the market stabilization price, which would have the effect of lowering market prices two and one-half cents. Representatives Tom Downey (D-NY) and Bill Gradison (R-OH) introduced a similar amendment in the House that recently was defeated in a floor vote.

If enacted, this legislation would save consumers billions of dollars annually. Each one-cent decline in sugar prices reduces consumer expenditures by an estimated \$300 million a year. Since world prices are far below U.S. support prices, lowering the latter would result in an almost immediate corresponding reduction in table sugar prices. After a lag, food and beverage manufacturers using sugar would pass on all, or at least a significant portion, of their savings to consumers.

Few family farmers, who are caught in the squeeze between high interest rates and low commodity prices, produce sugar. There are only approximately 12,000 sugar producers compared, for example, to more than 700,000 corn growers. Moreover, a significant portion of sugar is produced domestically by large multinational companies who have organized the defense of current support price levels.

Because of the sugar support program, the return on sugar production is far higher than that for all other farm crops. For example, in Louisiana the return over variable costs for sugar cane was \$411 per acre compared to \$69 per acre for soybeans.

## Congressional Action Needed on Victim Compensation

The need for proposals to ensure swift and adequate compensation for victims injured by defective products and still preserve product safety incentives is a subject worthy of significant and lasting Congressional attention.

That was the message brought to the Consumer Subcommittee of the Senate Commerce, Science and Technology Committee by Consumer Federation of America's Legislative Director Gene Kimmelman.

Kimmelman testified on specific victim compensation proposals by Senators Slade Gorton (R-WA) and Christopher Dodd (D-CT). He praised their proposals as "an important starting point for analyzing non-adjudicative methods of proving fair, adequate and speedy compensation for product-related injuries." But he left no doubt that the current proposals fall short of the ultimate goal.

### Battle Lines Shift

Slowly but surely, the product liability battle on Capitol Hill is shifting away from a fight over a federal standard to a searching debate about how to fairly compensate injured victims of defective products without long and costly litigation.

"CFA is encouraged that Congress is beginning to investigate the need for compensation systems that augment the consumer protection attributes of product liability law," he said, "and we hope the investigation will lead to a better understanding of the inadequacy of current compensation."

Kimmelman sees a need to expand the

ability of victims to recover for injuries caused by a product. "Many, if not most, people lack the means to cover mounting medical and other expenses related to these injuries, so a strong product liability system is essential to protect the American consumer," he said.

The current crop of victim compensation proposals is aimed, in general, at encouraging victims and companies to stay out of the courtroom. The idea is for the victim to first submit a claim to the company. If the company offers inadequate compensation, the case would go to an arbitrator. Either the victim or the company could reject the arbitrator's decision and head for the courts.

### Proposals Are Inadequate

CFA's view is that the current proposals raise more questions than they answer. Kimmelman's testimony faulted them for:

- making it difficult, if not impossible, for occupationally diseased victims and/or those injured by exposure to toxic substances to obtain compensation;
- lack of assurance that injuries would be adequately compensated without resort to litigation;
- limitation of compensation to strict economic loss, such as medical expenses and lost wages, and
- undermining the safety incentives of current product liability law.

"Until a compensation system is devised that ensures swift, adequate compensation and preserves product safety incentives, we feel it is inappropriate to con-

sider changes in the liability standards of product liability law," Kimmelman said.

The Senate committee earlier this year defeated S. 100, a bill which would have imposed a federal liability standard without a victim compensation provision. That bill was introduced by Senator Robert Kasten (R-WI).

It was strongly backed by a powerful and well-financed business alliance of manufacturers, distributors and wholesalers in the pharmaceutical, chemical, automobile, machine-tool and insurance industries. A broad-based coalition of consumer groups, unions, trial lawyers and state judges and attorneys general vigorously opposed it.

For his leadership in assuring the bill's defeat in committee, Senator Ernest F. "Fritz" Hollings (D-SC) received a special Distinguished Service Award at CFA's 15th annual Awards Dinner in June.

Committee Chairman Senator John C. Danforth (R-MO) recently expressed his view that chances of trying to pass the Kasten legislation again, without a victim compensation plan, "are zero."

The debate about how best to provide a fair compensation plan, however, will continue—and CFA plans to be part of it.

"We hope to work with the Congress to develop proposals which will simplify the process for handling product liability and will expand, and not diminish, consumers' access to compensation, and increase, not lessen, incentives for product safety," Kimmelman said.



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## Credit Unions Give Consumers Better Deal Than Banks or S&Ls, Survey Shows

Consumers of basic financial services get a far better deal at credit unions than at banks or savings and loans. That is the conclusion of a report released by the Credit Union National Association (CUNA) and Consumer Federation of America at a Washington news conference.

CUNA surveyed more than 1,600 credit unions and compared the results of the survey with earlier surveys of bank and savings and loan fees conducted by CFA, and of bank check hold policies conducted by USPIRG.

The study shows that the vast majority of credit unions charge no fees for basic financial services. On average, credit union members pay far less for services than customers of banks and S&Ls, and are more likely to be able to escape fees and charges. Credit union members are also less likely to have their deposited checks held before funds become available.

CFA Executive Director Stephen Brobeck said at the news conference that the findings "are important to consumers because bank fees continue to escalate. These escalating fees, in our opinion, are the primary reason for the significant decline in the percentage of low-income families with checking accounts."

***"These results underscore the importance of preserving the tax-exempt character of credit unions. Elimination of the exemption would radically alter their character."***

"To restrain these fees and help consumers identify the least expensive accounts, CFA has called for required disclosure of fees and check holds," Brobeck continued. "But we also believe that alternatives to accounts offered by banks and S&Ls are essential. Consequently, we were extremely pleased to see CUNA's survey that reveals credit union services priced significantly below the services of for-profit institutions."

CUNA President Joseph Perkowski said that the survey results should come as no surprise. "Consumers themselves have indicated their satisfaction with credit unions. In an opinion survey commissioned last fall by *American Banker*, a trade newspaper, consumers polled nationwide named credit unions as their favorite financial institution."

Major findings of the study include:

- Seventy-five percent of credit unions offering interest-bearing checking (or "share drafts") impose no routine charges per month or per check, regardless of the size of the account. By contrast, only five percent of the banks and S&Ls surveyed by CFA impose no routine charges on their regular NOW accounts. Regular NOW accounts are limited to 5.5 percent interest, while share draft accounts frequently pay more.
- Only 9% to 15% of credit unions routinely place holds on local checks, compared to 82% of the banks and S&Ls surveyed by USPIRG. Between 17% and 20%



CFA Executive Director Stephen Brobeck answers questions during press conference announcing results of fee study by the Credit Union National Association (CUNA). Pictured with him are CUNA President Joseph Perkowski, right, and William Hampel, CUNA vice president for economics and research.

- of credit unions hold out-of-state checks, compared to 91% of banks and S&Ls.
- Bounced check charges average \$13.08 at banks and S&Ls, and \$9.24 at credit unions.
- 82% of credit unions offering interest-bearing checking accounts make the service available free of charge to senior citizens. 39% of banks and savings and loans offer free accounts to seniors.

Nearly all the credit unions surveyed (94%) responded that they make special arrangements for members facing loan repayment problems. 64% will reschedule loan payments, 55% will allow temporary payment reductions, 50% provide free financial counselling, and 30% allow a brief period of skipped payments.

"These results underscore the importance of preserving the tax-exempt character of credit unions," Brobeck said. "Elimination of the exemption would radically alter the character of credit unions. It would certainly lead to escalation of fees, and withdrawal of services from low and moderate income families. We are pleased that House Banking Committee Chairman Fernand St Germain and other congressional leaders have taken strong positions against elimination of the tax exemption." (See related story on page one.)

CUNA and several state credit union associations have long been active members of CFA. Credit unions are not-for-profit financial cooperatives, organized solely to meet the financial needs of their members. Fifty-two million American belong to 18,300 credit unions. Credit union assets stand at more than \$120 billion, about 5% of total commercial bank assets. Nearly two-thirds of all credit unions have less than \$2 million in assets.

## High Phone Rates Threaten Service to Poor; Third Telephone Issues Conference Told

Escalating residential phone rates and the resulting threat to universal phone service were the principal focus of the third Telephone Issues for the States Conference. Nearly 200 activists, legislators, regulators, and industry representatives attended the September forum, which was co-sponsored by Con-

***"Several proposals to ensure universal service are truly grotesque arrangements to meet a perverted definition of service."***

sumer Federation of America and the Telecommunications Research and Action Center (TRAC).

In a general session, CFA Energy Director Mark Cooper emphasized that 20 to 30 percent of low-income households do

not have phones even though "the telephone is one of the central means of daily communications in our modern society. . . . We can no sooner starve poor people of their daily communications and call it a decent standard of living than we can starve them of their daily bread and call it a decent diet."

Cooper criticized several proposals to ensure universal service as "truly grotesque arrangements to meet a perverted definition of service." These include phone booths in low income areas, 911 service only, and severe restrictions on those whom low-income consumers could call. As an alternative, Cooper aired a CFA proposal that involves a 50 percent reduction in monthly charges and nominal installation charges to low-income households whose eligibility would be established by self-certification.

To restrain residential rates, House Energy and Commerce Committee Chairman John Dingell promised to "oppose any attempt to load additional access charges on ordinary rate payers." He was particularly critical of Federal Communications Chairman Mark Fowler, call-



Representative John Dingell (D-MI)

ing Fowler's intention to further deload toll rates "socking it to the little guy."

CFA Legislative Director Gene Kimmelman was similarly critical of the FCC,

accusing the federal agency of "deregulating the telephone industry before doing anything to protect rate payers from dramatic local rate increases." In response, Bert Halprin, Chief of the FCC's Common Carrier Bureau, contended there was no evidence that many consumers had been forced to give up phone service because of rate increases.

Dingell, Kimmelman and other speakers presented somewhat different perspectives on structural issues. Dingell opposed "loading the costs of network enhancements on residential customers who do not use and do not benefit from them." But he did urge permitting and encouraging "local telephone companies to upgrade local public networks."

Kimmelman objected to cross-subsidization of competition by monopoly services. However, he voiced concern about accelerated depreciation of old equipment that would escalate residential rates by \$26 billion. He warned that "if the transition to competition causes dramatic local rate increases, consumers will ask Congress to re-regulate the whole telephone system."

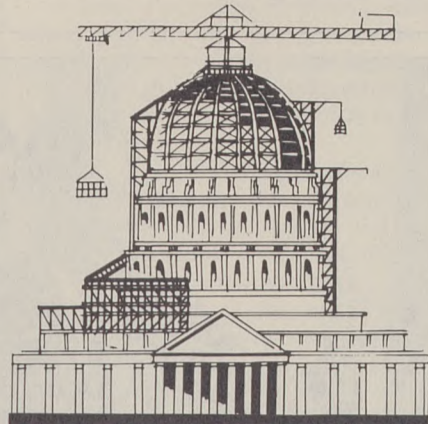
# Coalition Forms to Preserve FERC Rule

A coalition of six U.S. senators and six consumer groups, including Consumer Federation of America, has joined together to defend pro-consumer provisions of a Federal Energy Regulatory Commission (FERC) regulation which are under attack by lawmakers from oil-producing states.

The coalition was announced by Senator Bill Bradley (D-NJ) at a Capitol Hill press conference. It was formed in response to a campaign led by Senator Don Nickles (R-OK) for a budget amendment forcing FERC to withdraw the pro-consumer provisions.

***"This is the one and only vote on natural gas. If we win this vote, consumers win \$5 billion. And the natural gas industry wins a pro-consumer, pro-competitive structure."***

Consumer groups, which have fought FERC tooth and nail for years, have now banded together to defend the agency's wide-ranging regulation to completely restructure the natural gas transporta-



## WASHINGTON PERSPECTIVE

tion industry—a process which would save consumers \$5 billion.

It wasn't supposed to be this way. At the end of 1984, when Congress failed to act on natural gas legislation, most analysts foresaw a period of relative calm following a decade of controversy.

### Consumers Win Suit

But last May, a Court of Appeals ruled in favor of consumer groups in a suit over FERC's gas transportation rules. Led by Maryland's People's Counsel, consumers charged that the rules were discriminatory and unfair because they allowed industrial customers, but not local distribution companies, to purchase gas

themselves and transport it according to contract rates.

Consumers argued that local distribution companies, which primarily serve residential customers, were being exploited and held captive by monopolistic pipelines. Unable to purchase gas themselves, the local companies—and the consumers they serve—were destined to receive more expensive gas.

The court agreed. It gave FERC until October 30 of this year to devise a program to provide a fair chance for all to have access to transportation pipelines.

### Pro-Consumer Rule

Less than three weeks after the court decision, FERC proposed a rule which not only gave all parties access to transportation, but devised a block-billing formula to assure that benefits of low-cost or "old" gas would be passed through to local distribution companies. It also proposed a procedure to reduce the obligations of both pipelines and distribution companies to purchase high-cost gas from producers.

Dr. Mark Cooper, CFA's Energy Director, told the Senate Energy Committee that "FERC is to be applauded for finally implementing the Congressional intent to allocate the economical rents of old gas to historical, firm-sales customers."

Producers emphatically disagreed. They declared the rule would cost them \$5 billion and effectively end their hope to achieve decontrol of old gas.

Then came the Nickles amendment, and its victory in the Senate Energy Committee, setting the stage for an unanticipated Senate floor fight.

"This is the one and only vote on natural gas," Senator Bradley told the coalition press conference. "If we win this vote, consumers win \$5 billion. And the natural gas industry gains a pro-consumer, pro-competitive structure."

### Cooper Criticizes Action

Also at the press conference, Cooper called the Energy Committee's action "ill-considered and ill-timed, driven not by careful consideration in the legislative process but by the raw political power of the major oil companies."

"After less than one day of public hearings," Cooper said, "and on a budget measure, rather than substantive legislation, the committee has voted to override the consumer protection sections of a rule which has not even been implemented yet. The result will be to deny consumers billions of dollars in lower gas bills and to establish a discriminatory standard for contract carriage that is unfair and unacceptable to consumers."

In addition to CFA, consumer groups in the new coalition are the Citizen Labor Energy Coalition, Citizens Energy Corporation, National Association of State Utility Consumer Advocates, National Council of Senior Citizens and American Public Gas Association.

## Senate Votes Indoor Air Research Funds

The U.S. Senate has voted to establish an indoor air quality research program in the Environmental Protection Agency, and a key Senate committee has approved funding for indoor air research.

CFA testified and vigorously lobbied for such actions. The Reagan Administration budget included no funding for indoor air research.

The indoor air program was accepted as an amendment during Senate consideration of the Superfund reauthorization bill (S.51). The full bill won Senate passage 86-13 on September 26. The House is still considering its version of Superfund legislation.

Creation of an indoor air research program was proposed earlier in legislation (S.1198) introduced by Sens. George Mitchell (D-ME), Robert Stafford (R-VT), and Frank Lautenberg (D-NJ).

Sen. Lautenberg then offered the proposal as an amendment to the Superfund bill along with provisions from the Radon Assessment and Reduction Act (S.1593), which the New Jersey Senator had introduced in July.

The amendment requires EPA to establish a comprehensive research program to assess and collect data on the health risks of indoor air pollutants, methods for measuring the pollutants, control technologies and mitigation measures.

One year after enactment, EPA is to issue a preliminary report identifying locations and amounts of radon in structures in the United States, and describing methods for mitigation. Radon is a naturally-occurring radioactive gas formed from the decay of radium in the soil. It readily enters homes and other structures through cracks or other openings. Long-term exposure can increase the risk of lung cancer.

Two years after passage, EPA is to issue a broader report describing what is known about indoor air problems, identifying future research needs, and assessing possible government actions.

To fund the program, the amendment authorizes the appropriation of \$3 million in each of the two years.

In earlier action, the Senate Appropriations Committee adopted a Lautenberg amendment to EPA's 1986 appropriation providing \$2 million for indoor air programs. The House already has voted \$2.5 million for this purpose.

The full Senate is expected to act on the spending measure later this fall; a conference committee will then work out differences between the House and Senate. The Senate committee vote, however, virtually assures that funding for indoor air programs in 1986 will at least match the \$2 million that was appropriated for 1985.

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