CFA
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CFA Bank Fee Report Calls for Disclosure

At a recent Capitol Hill press conference, Consumer Federation of America and San Francisco Consumer Action released a nationwide survey of bank fees and called on Congress to require prominent disclosure of all bank charges. They were joined by Senator Slade Gorton (R–WA), the new Chairman of the Senate Banking's Consumer Subcommittee, who supported the call for disclosure.

The survey was initiated in response to House Banking Chairman Fernand St Germain's request to CFA for assistance in investigating rising bank fees. It was completed in mid-April by ten CFA member groups who surveyed 91 institutions.

"Bankers are nickeling, diming, and dollaring their customers to death by charging billions of dollars in deposit fees; in the process they are greatly enriching themselves," said co-author Stephen Brobeck, Executive Director of CFA. "Last year, banks collected approximately $10 billion in service charges on deposit accounts, up from $5 billion in 1979. This $10 billion represented more than 30% of banks' net income in 1983, up from less than 20% four years earlier."

Co-author Ken McEldowney, Co-Director of SFCA, stated that "the rise in fee income reflects substantial increases in old consumer charges and the proliferation of new fees which have accompanied deregulation. Never before have banking institutions charged such large amounts for basic consumer services."

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Banks Profit at Consumers' Expense

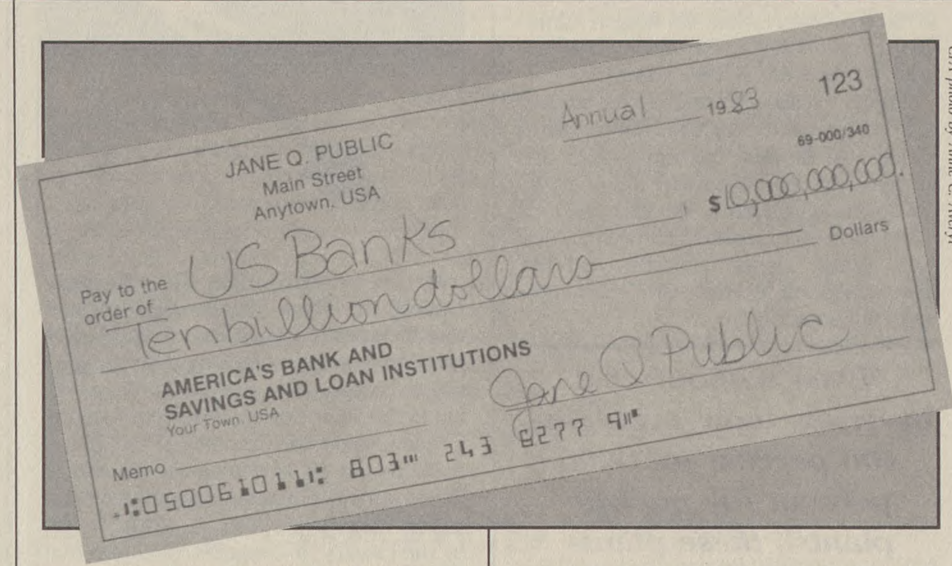
Key findings of the survey include the following:

- Banks are charging a variety of new fees including charges for excessive withdrawals from passbook accounts, for low savings account balances, and for certain phone inquiries.
- There are huge differences in fees charged by different institutions. Bounced check fees range from $7 to $20; returned deposit fees from zero to $12; the printing charge for 200 checks from zero to $9; and the monthly service charge on NOW accounts falling below the minimum to avoid charges, from $2 to $8. The total annual checking charges for one year at different institutions ranged from $21 to $153 on a typical small account.
- There was far more variation within areas than between them. Out-of-state check holds, for example, ranged only from 2 to 7 days in different states while the maximum holds ranged from 14 to 20 days in these same areas.
- Banks are increasingly discriminating against the poor with monthly fees on small passbook accounts, high checking account minimums (to avoid charges), and the refusal or high charges to cash government checks without any account (as high as $7 per check cashed). In addition, several banks now require a major credit card to open a new checking account.

Annual Checking Charges*

State	Locale	Low	High
Arizona	Phoenix	$63	$110
California	San Francisco	63	106
Connecticut	Hartford	21	102
Kansas	Manhattan, Topeka	42	98
Louisiana	New Orleans	75	153
Maryland	D.C. suburbs	81	120
Missouri	St. Louis	30	136
Virginia	D.C. suburbs	78	130
Wisconsin	Milwaukee	78	126

*Computed for a consumer with an average balance of $200, which falls below $200 at least monthly, and includes ten checks written monthly.



CFA photo by: Anne C. Averyt

Legislation Needed to Mandate Disclosure

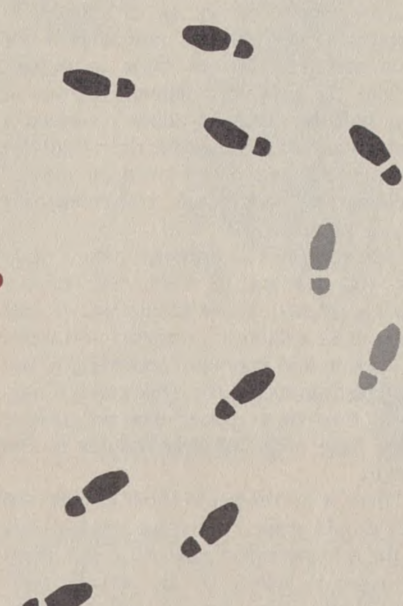
To restrain gouging by some institutions and to better inform consumers, McEldowney and Brobeck called for prominent disclosure of all fees. "New York State has already done this," noted McEldowney, "and they limited check holds to reasonable periods."

"House Banking Chairman St Germain and Senator Dodd have taken leadership in this area," added Brobeck. "We support the Congressmen's investigation of bank fees, and the legislation both have introduced to require disclosure of check holds." St Germain's legislation also limits holds to 1 to 8 days.

Participating groups were SFCA, Arizona Consumers Council, Connecticut PIRG, Kansas Consumer Affairs Association, Louisiana Consumers League, Maryland Citizens Consumer Council, Milwaukee Concerned Consumers League, Missouri PIRG, Ohio Consumers League, and Virginia Citizens Consumer Council.

(Copies of the report are available from CFA for $5; free to CFA members.)

On the Move. . .



Consumer Federation of America is on the move to a new location. Effective July 16, 1984 CFA will move its office to 1424 16th Street, N.W., Washington, D.C. 20036. Our phone number will remain the same: (202) 387-6121. Please make note of our new address to avoid delays in mailing.

What Electric Shortage?

Reprinted from *The New York Times.*

By Steven Ferrey

Editor's Note: Ferrey directs the Ford Foundation energy project at the National Consumer Law Center. He is collaborating with CFA on several projects.

BOSTON—Are we facing a national electric power shortage of crisis proportions? With 40 percent excess generating capacity, with stagnant growth in demand and with utilities canceling and abandoning scores of power plants, a shortage is hard to discern. Nevertheless, the Reagan Administration proposes a $1.8 trillion crash program to light the electric future.

This $1.8 trillion is the price tag to build 300 nuclear and coal-fired power plants above and beyond the more than 100 nuclear and coal plants that the utility industry plans to build by the year 2000. As recommended in a study by President Reagan's Energy Department, this high-risk scenario ignores less expensive alternatives such as conservation.

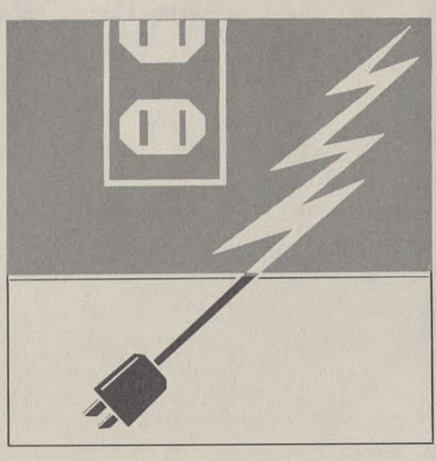
> ***"Even without cost overruns (now averaging 400 percent to 1,000 percent for nuclear plants), these plants would cost close to $1 trillion to construct and more to operate and maintain, according to the Administration's figures."***

Why has Mr. Reagan become an electric horseman? Because of a slippery projection that electric demand will increase 3 percent annually for the rest of this century, after virtually no net growth during the Reagan Presidency. Yet, the 3 percent growth projection exceeds the forecast of the industry itself—and the industry has overestimated its needs each of the last six years.

The electric future is as critical to America's welfare as any aspect of economic policy, from taxes to budget deficits. If electricity demand grows at only half the Administration's projected 3 percent annual increase for the rest of the century, the nation will avoid the cost of building 187 additional 1,000-megawatt power plants.

Even without cost overruns (now averaging 400 percent to 1,000 percent for nuclear plants), these plants would cost close to $1 trillion to construct and more to operate and maintain, according to the Administration's figures. This sum is a staggering three times greater than the current asset base of all electric utilities in the nation.

There is no reason to think electric use will, should or has to increase nearly as fast as the Administration projects. In fact, there is reason to believe we are actually overelectrified: Many houses and buildings heated by electricity could be converted to oil or gas, which are cheaper and more efficient fuels. More than 50 percent of buildings constructed in the last five years have electric heat, because it is easier and cheaper to install than oil or gas heat. Over the life of the building, however, the price is far greater.



We are awash in studies that prove conclusively that energy conservation in homes and factories, which frees existing power plants to serve new demands, is the cheapest way to an affordable energy future. According to the Solar Energy Research Institute, a Federal laboratory, residential energy use could be cut by 30 percent by the end of the century just by using cost-effective technology available in 1982. A recent report by the Library of Congress concludes that for less than the cost of building new plants, efficiency improvements could "generate" 32 percent to 100 percent of our electricity needs by the year 2000, the proportion depending on future demand and the vigor of conservation efforts.

We can also wring impressive energy savings from industry. Industrial co-generation is a process producing both electricity and usable heat. This two-for-one bargain can yield up to the equivalent of an additional 22 1,000-megawatt power plants, according to the Library of Congress, or the equivalent of up to 43 plants, according to the Energy Department. A study commissioned by the Energy Department predicts that cost-effective efficiency investments in the industrial sector could reduce energy needs by between 10 and 40 percent, depending on the industry.

Greater energy efficiency lowers our dependence on imported oil and lowers the cost of goods, restraining inflation and making American products more competitive in world markets. Yet the Administration has slashed Federal funding of efficiency research, development and financing, claiming that the market will determine the best energy policy. At the same time, the Administration proposes to let utilities recover the costs of building unneeded power plants that would never get built if the market were the sole determinant.

The Administration acts as if the growth of electricity demand is a natural force, beyond the power of man to control. In fact, growth of demand is a product of government policies that encourage greater consumption and production, and discourage savings. Rather than build for a future that need not come, we should control the factors that determine electricity demand. It costs us nothing to invest in conservation: A kilowatt saved is a kilowatt earned. But if President Reagan's $1.8 trillion wager is wrong, we mortgage the future to more cost overruns and plant cancellations.

CFA Study Calls For Larger Strategic Petroleum Reserves

At a Capitol Hill press conference on June 12, the Consumer Federation of America joined with Senator Bill Bradley (D–NJ), to release a new study demonstrating that a Strategic Petroleum Reserve (SPR) of 1.5 to 2 billion barrels, and a much faster fill rate are economically justified, and in the national interest. The study charges that by shortchanging the nation's strategic stockpile, current policies are denying American consumers vital insurance against economic disaster as well as undermining our most effective method of deterring supply disruptions.

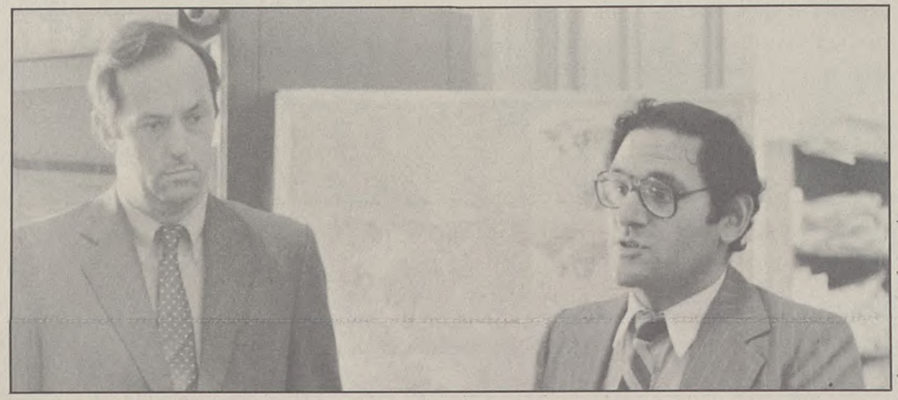
The hundred-page CFA report, authored by CFA Energy Director Mark Cooper and entitled *The Bigger the Better: The Public Interest in Building a Larger Strategic Petroleum Reserve,* points out that a properly sized, well-used reserve could prevent the massive price increases that have occurred during previous disruptions, and also save the economy between $50 and $100 billion.

"There is now a sense of urgency," Senator Bradley, a long-time proponent of a larger reserve and more aggressive emergency preparedness policy, said. "Oil supply disruptions are straining to occur. The oil tankers burning in the Persian Gulf should move us to act and act now."

The CFA report, initiated several months prior to the current crisis in the Persian Gulf, assesses over two dozen studies of the SPR, especially those conducted since the second oil price shock of 1979–80. It concludes that a large reserve would be an especially effective mechanism for responding to supply disruptions because it would give policymakers the flexibility to utilize stockpiled oil quickly and aggressively, and to more effectively cooperate with other Western, oil-consuming nations in stock management decisions.

"By directly holding prices down," Cooper said, "aggressive use of the reserve reduces the benefits that oil producers can realize from supply disruptions. It also maximizes the level of economic activity and minimizes the redistribution of wealth from consumers to producers."

"We must keep filling our currently planned reserve as rapidly as possible," Senator Bradley added in outlining his personal legislative program. "We must also increase our ultimate goal for the reserve, be sure we can draw down and effectively distribute stockpiled oil should the need arise, and prepare to assist those who are most vulnerable to the effects of supply disruptions that cannot be prevented."



CFA photo by Anne C. Averyt

CFA Energy Director Mark Cooper (r) and Senator Bill Bradley (D–NJ) field questions at a Capitol Hill press conference, announcing the release of a CFA study calling for larger strategic oil reserves and faster fill rate.

(Copies of the report are available from CFA for $5; free to CFA members.)

CFA, TRAC Test Tele-Consumer Hotline

This summer, Consumer Federation of America and Telecommunications Research and Action Center (TRAC), in cooperation with American Association of Retired Persons (AARP), will develop and test a model for helping consumers cope with changes in phone service resulting from divestiture. The two organizations have established a Tele-Consumer Hotline to respond to questions from those calling a toll-free hotline number.

CFA Executive Director Stephen Brobeck, who proposed the hotline concept, explained its need: "The implementation of divestiture has begun to confront consumers with new decisions about long-distance service, phone equipment, and related issues. Complicating these decisions is the fact that the courts have severely limited the information which local phone companies can disseminate."

TRAC Executive Director Sam Simon added: "Given the universality and complexity of the problem, in the history of the country there may never have been a greater need for consumer information on a specific issue."

The test will be carried out in Bell Atlantic service areas "cut over" to equal access and pre-subscription on September 1, 1984—78 exchanges serving about 500,000 households. Consumers calling the hotline will receive advice about making decisions and whenever possible, specific information about pre-subscription, long-distance options, service, repairs, or billing. Many callers will also be sent printed leaflets on specific topics.

At least during the test period, the service will be free to callers. This has been made possible by grants from Bell Atlantic, AT&T, GTE-Sprint, and SBS, which also will participate on an advisory committee. Final decisions, however, will be made by the hotline's two directors, Simon and Brobeck.

The test will determine whether the hotline is useful and cost-effective. If it proves to be, an effort will be made to extend the service to the entire nation.

Trademark Counterfeiting Poses Risk to Consumers' Health and Pocketbooks

Trademark counterfeiting seems far removed from the front burner of consumer issues, conjuring up images of a few pairs of fake Jordache jeans or a few bogus Cartier watches. But in reality, according to CFA lobbyists, counterfeiting is a multi-billion dollar business which poses increasing risks not only to consumers' pocketbooks but their health and safety as well.

In testimony before the International Trade Commission, CFA Legislative Director David Greenberg laid out consumers' concerns. "It's not just jeans anymore—counterfeiting is now a sophisticated industry which threatens the public with unsafe pharmaceuticals, dangerous chemicals, and faulty automobile and aircraft parts," said Greenberg. "When companies attempt to fabricate a trademark they don't own, they are trying to take a free ride on the reputation, integrity and hard work of the real owner. Normally, the false trademark masks poor quality parts, slipshod workmanship, little attention to safety and other hidden hazards," he added.

Counterfeit Chemicals to Bogus Batteries

Despite the poor quality of many counterfeit goods, the producers of counterfeits, according to Greenberg, are increasing in scope and sophistication—so much so that they have outstripped existing law and enforcement capability. "When counterfeit chemicals are capable of wiping out a nation's entire coffee crop, when a clothing counterfeiter amasses a nationwide network of 500 retail outlets, and when one Taiwanese counterfeiter produces 17 million fake Eveready batteries, it's time we start to beef up our legal arsenal against counterfeiting," Greenberg commented.

Legislation to strengthen both the criminal and civil laws against counterfeiting is pending in the House and Senate, according to Greenberg. The proposed anticounterfeiting statutes would impose criminal fines of up to $1 million and prison sentences of up to 5 years on persons and companies found guilty of intentional trademark counterfeiting. Even more important, Greenberg believes, are the sections which provide triple damages and investigation costs to companies that win civil lawsuits against trademark counterfeiters.

While it is late in the Congressional calendar for legislation that is still pending in both Houses, Greenberg predicted that the anticounterfeiting bills may well move. "This is a perfect pro-consumer issue for a lameduck session vote," said Greenberg. "With multinational corporations and consumer groups on the same side, members from both parties should be standing in line to champion the anticounterfeiting effort."

CFA Co-Sponsors Phone Conference

The second annual conference on *Telephone Issues for the States-1984-Implementing Divestiture* was held in Washington in May, under the joint sponsorship of the Consumer Federation of America and the Telecommunications Research and Action Center (TRAC).

The conference brought together grassroots activists from 27 state and local consumer groups, representing 21 states, to meet with telephone industry representatives, state regulators and Washington-based advocates.

Thirty speakers addressed a wide range of current issues, including the threat of competition to the local operating companies and local measured service. Discussion of legislation affecting the cable industry was a major focus of the morning sessions.

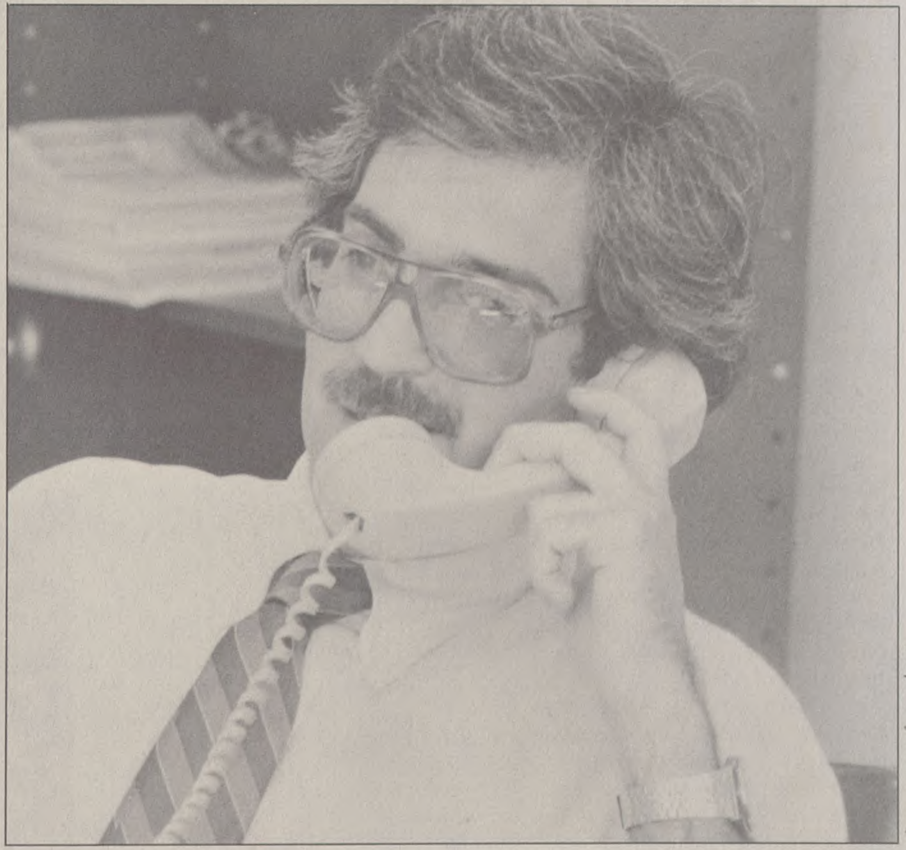
Mark Cooper, CFA's Energy Director, addressed an afternoon session on state ratemaking procedures, and outlined a political campaign local groups could put into effect in their home states. "The campaign is based on a comprehensive program of telecommunications pricing that is politically sellable so that we can mobilize the grassroots, and is also logically consistent so that we can defend it in the legislative process," Cooper explained.

Representatives of two dozen, mostly grassroots groups, also met as part of a new coalition to build a pro-consumer telecommunications information network. The group, called the Coalition for Affordable Phone Rates, is designed to inform local organizations about emerging telephone issues and new research in telecommunications policy. It will also help the groups to plan state and national legislative and regulatory strategies.

Gene Kimmelman, new Legislative Director of CFA, was involved in the initial organization of the Coalition and is CFA's representative to the Coalition.

Among the CFA-member groups attending the conference were Consumers Union's Texas Office, San Francisco Consumer Action, MOPIRG, Maryland Citizens Consumer Council, Seattle Consumer Action Network, Washington Checkbook, Virginia Citizens Consumer Council, Concerned Consumers League of Milwaukee, North Carolina Consumers Council, TURN of San Francisco, and MassPIRG.

CFA Names New Legislative Director



CFA photo by Anne C. Averyt

Hard at work at CFA is new Legislative Director Gene Kimmelman. Kimmelman, a native of Oak Ridge, TN, graduated from Brown University in 1977, magna cum laude and Phi Beta Kappa. He also holds a J.D. degree from the University of Virginia law school and served as staff attorney for Public Citizen's Congress Watch before coming to CFA. Kimmelman replaces David Greenberg, who is joining the law firm of Arnold & Porter, as Legislative Director of CFA. Kimmelman's areas of expertise include telecommunications, social security, Medicare, and natural gas legislation.

Phantom Utility Taxes Waste Consumer Dollars

On June 12, 1984, in testimony before the Subcommittee on Conservation and Power of the House Energy and Commerce Committee, the Consumer Federation of America charged that taxes which are collected by utilities from consumers, but not paid for decades, are unfair and lead to a waste of consumer dollars.

At hearings to investigate the build-up of over $35 billion in taxes which have been collected by utilities but have not yet been paid to the federal Treasury, Mark Cooper, CFA Energy Director, said that "lower consumer prices and/or lower deficits would be the result of the elimination of this tax shell game."

Cooper's testimony showed that consumers lose the effective use of billions of dollars because utilities bill consumers for taxes as though they depreciated their investments according to the straightline method, but then pay the Treasury with depreciation figured according to accelerated schedules.

"The result is to lower their actual tax payments in the present," Cooper said, "and shift their tax liabilities into the future. As long as they keep building and costs keep rising, they push the actual payments farther and farther into the future."

Given the recent record of cost increases, Cooper said, "utilities can effectively reduce their tax rates by as much as seven percent for the foreseeable future."

The impact of investment tax credits, which utilities receive in the first year that an asset is placed in service, but then take 30 years to fully reflect in consumer rates, is similar, Cooper added. "Utilities capture over two-thirds of the value of the tax credits because they have the money to use for so long."

"These tax breaks create a strong incentive to overbuild the ratebase," he concluded, "and become a self-perpetuating drain on consumers' pocketbooks."

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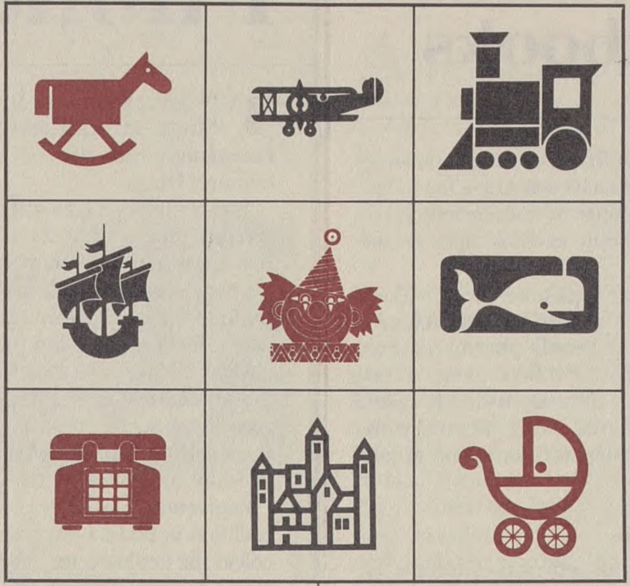
Fast Track for Toy Safety



The safety of toys and children's products is a paramount concern of American consumers, according to the Lou Harris survey, "Consumerism in the 1980's." Fully 88% of those questioned agreed that the government should approve new toys before they are allowed on the market. Yet, in recent testimony CFA Legislative Director David Greenberg told both the House and Senate Commerce Committees that it is more difficult to recall hazardous toys than hazardous products intended for adult use. Greenberg appeared before the committees to support HR 5630 and S 2650, legislation sponsored by Representative Henry Waxman (D–CA) and Senator Robert Kasten (R–WI), which would streamline regulatory procedures used by the Consumer Product Safety Commission (CPSC) to recall dangerous toys.

"It can take months, perhaps years, longer to rid the marketplace of dangerous toys and children's products," Greenberg explained. "The procedures forced upon the CPSC in the toy area hamstring the agency and can allow unnecessary injuries and deaths to occur. But this can be prevented, if Congress passes, and the President signs, these two simple bills."

Greenberg referred to the statutory distinction between adult and children's products as an "historical quirk." But whatever the rationale, according to Greenberg, the results are clear. In the case of non-children's products, the Commission can proceed to recall hazards under its Section 15 authority. In the case of toys, however, Greenberg pointed out that the Commission must first proceed through a lengthy rulemaking under Section 3(e) of the Federal Hazardous Substances Act (FHSA), or through a "transferring action" under Section 30(d) of the Consumer Product Safety Act (CPSA), before resorting to Section 15. The former procedure will take one to two years, and even longer if there are legal challenges. The latter Section 30(d) action takes several months at minimum. Moreover, the vitality of 30(d) actions has been called into question by the Fifth Circuit Court of Appeals' decision overturning the CPSC's ban on formaldehyde insulation. "What we are left with," said Greenberg, "is a problem—toys that kill or injure—that can strike at any moment, coupled with a 'solution' that moves with the speed of summertime in Washington in the days before air conditioning. It is a tragedy waiting to happen."

Greenberg gave the committees two case histories which he said demonstrated that tragedies have already happened. The first involved suffocation deaths caused by the ends of certain squeeze toys, which the Commission learned about in 1981 and 1982. Out of twenty-one affected manufacturers, two firms refused to agree to voluntary recall procedures, forcing the CPSC to undertake a 30(d) action. The final 30(d) rule was not issued until January 1984. Shortly before that rule became final—which would have triggered the Commission's authority to order a recall—the two holdout firms agreed to take corrective action.

Second, in October and November of 1979, the CPSC staff received reports of strangulation deaths associated with certain stuffed toys. The Commission negotiated a corrective plan with the manufacturer approximately two months later, but the company balked at additional action the CPSC sought in April 1980. It took the Commission until June 1982 to pursue 30(d) procedures and authorize a complaint against the company; faced with that complaint, the manufacturer agreed to a voluntary plan.

"These examples show that it is not the safety-conscious toy manufacturers that would be harmed by the enactment of S 2650 and HR 5630," said Greenberg. "Such firms agree to voluntary recall plans as soon as they learn about the hazards created by their toys. It is the recalcitrant toy companies that this legislation will affect, those that attempt to delay and gain advantage from the present cumbersome procedures."

Greenberg also suggested that the toy safety procedures problem illustrates that the CPSC needs strong mandatory powers to enable it to maximize voluntary government/industry cooperation and to minimize command-and-control regulation. "The weakness of the Commission's power in the toy safety area does not create less regulation. Instead, it only serves to draw out the regulatory process to the advantage of the least public-spirited industry members. In contrast, the stronger procedures accorded the CPSC by these bills would shorten the regulatory process and reward firms that put safety first by increasing the Commission's leverage to bargain with firms tempted to elevate profits above the needs of public safety."

Greenberg predicts quick action by the committees and a real possibility of sending legislation to the President's desk this year. "Election year politics should help, rather than hurt," said Greenberg. "Who wants to vote against safer toys?"

House Defeats Amendment to Raise Electric Rates

In early May, by a 176–214 vote, the House rejected a proposal that would have substantially increased the electricity costs of millions of residential ratepayers.

Earlier, the Senate passed legislation ensuring that electricity from Hoover Dam would continue to be sold at cost to Southwestern power companies. As originally proposed. HR 4275 would accomplish the same purpose, but Rep. Barbara Boxer (D–CA) offered an amendment to have this power auctioned off at "market rates" to the highest bidder.

All agreed that the Boxer proposal would raise rates significantly in the Southwest. According to the American Public Power Association, market rates would have increased public power prices by $700 million in 1982. Rural electric prices would also have escalated.

Supporters of the amendment intended to achieve two goals. The Environmental Defense Fund sought to raise electric rates in order to discourage the building of new power plants. APPA Executive Director Alex Radin likened this argument to a defense of higher health care costs to reduce hospital construction.

In a letter to Congress, CFA asserted "that in view of high charges for electricity and the essential nature of electricity, it would be unconscionable for Congress to endorse a policy of 'whatever the traffic will bear' in pricing federal power." CFA Executive Director Stephen Brobeck added that "higher rates would fall especially hard on low and lower middle income households with limited ability to reduce consumption because of the expense of major weatherization improvements."

The second goal of amendment supporters was to reduce the federal deficit. Boxer estimated this reduction at $3.5 billion over ten years. While agreeing that cutting the deficit was important, Brobeck held that there were much fairer and less harmful ways to accomplish this than by hiking residential electric rates.

After defeating the Boxer amendment, House members passed HR 4275 by a 279–95 vote.

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