

CFA Post-election Analysis

TURNAROUNDS

One of the most promising results of November 2nd is the election of strong pro-consumer Congressmen in districts formally represented by veteran anti-consumer members.

	Pro-Consumer Freshman	Retiring Members	Lifetime CFA Voting Record
Senate	Bingham (NM)	Schmidt	16%
House	Bosco (CA-1st District)	Clausen	15%
	Boucher (VA-9th)	Wampler	18%
	Coleman (TX-16th)	White	23%
	Levine (CA-27th)	Dornan	11%
	Slattery (KS-2nd)	Jeffries	14%
	Staggers (WV-2nd)	Benedict	14%
	Wise (WV-3rd)	Staton	7%

Princely Prices Turn Consumers Into Paupers

By Ann K. Lower,
Energy Representative

Whether this winter is cold and blustery, or mild, consumers will be using less fuel, but paying an additional \$2.3 billion due to utility rate-increase applications.

Though lower thermostats brought natural gas usage down by 12.5% between 1978 and 1980, and the 1982 recession forced further reductions in natural gas consumption, heating bills for this "prince of the hydrocarbons" are expected to rise by 20 to 40 percent this winter.

These increases are on top of a staggering 418 percent increase over the past 9 years in the price for natural gas used for residential heating. As of July of this year, heating by gas had risen from a price of \$1.08 per thousand cubic feet in 1973 to \$5.59, according to Department of Energy figures.

Shut-out Gas

At the same time that pipelines have filed utility rate-increase requests allowing \$8 and \$10 gas to be passed-on to consumers, \$2 to \$3 gas is being shut-out of the market. In Ohio, the cheaper gas is being left in the ground, or flared. In Kansas and Oklahoma, it is being reclassified.

Pipeline companies argue that "take-or-pay" clauses in contracts for higher-cost gas obligate them to either take the

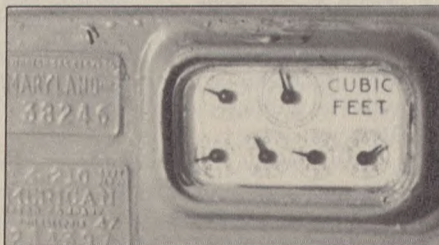
gas, or pay for it. In other cases, pipelines have cut back their purchases so far that wells are being reclassified as "stripperwells," and thus receive a much higher price.

Whether pipelines are contractually obligated or engaged in monopoly price gouging, consumers are paying more than is necessary for their gas supplies.

Legislative Actions

Fearful that many of the elderly are being asked to "choose between heating and eating" this winter, Senator Thomas Eagleton is pushing for a price freeze for the 1982-83 heating season.

The Northeast-Midwest Congressional Coalition, consisting of 200 House members from 18 states, has also prepared legislation which will require pipelines to renegotiate "take-or-pay" contracts with producers if cheaper gas is available.



Whether the legislative solution is an emergency price freeze or a prohibition of "take-or-pay" contracts, the message that is being written in thousands of letters to members of Congress today is: Consumers want lower gas prices this winter.

New Congress Shifts Toward Consumers

The incoming 98th Congress will be decidedly more pro-consumer than the outgoing Congress, according to CFA's 1982 election analysis.

Candidates endorsed by CFA won 77 out of 94 races, said CFA Legislative Representative Glenn Nishimura, compiling a winning percentage of 82 percent.

"But the real story behind the overall numbers," Nishimura added, "is the departure of anti-consumer incumbents who have stridently opposed nearly all consumer initiatives while they were in office."

Many of the 86 members of Congress who are leaving, either as a result of defeat or retirement, "have some of the worst anti-consumer voting records in the entire Congress," Nishimura said.

Four of the five Senators who will not return in January—Hayakawa, Schmidt, Brady and Byrd—have lifetime CFA voting records of less than 25 percent.

"The House figures are even more striking," Nishimura added. "Seventy-five percent—60 out of 81—of those members leaving have consumer voting records significantly lower than the House as a whole. And over 40 percent—34 of 81—voted for the consumer position less than 25 percent of the time."

"But the real shot in the arm for consumers comes from the replacements for these departing incumbents," said Nishimura.

Turning Congress Around

"Many, like Senator-elect Jeff Bingaman, are consumer heroes in their own right. And when they replace an anti-consumer member, you have a real swing in the consumer's direction."

CFA's election analysis underscored eight examples of such "turnarounds," potential leaders taking the place of knee jerk anti-consumer incumbents, including Bingaman, Doug Bosco (D-CA-1st), Rick Boucher (D-VA-9th), Ron Coleman (D-TX-16th), Mel Levine (D-CA-27th), Jim Slattery (D-KS-2nd), Harley Staggers, Jr. (D-WV-2nd) and Bob Wise (D-WV-3rd).

CFA's analysis also pointed to 12 other freshmen Congressmen who, based on their records at the state and local levels and their willingness to campaign on a strong consumer platform, are likely to emerge as leaders on key consumer issues: Howard Berman (D-CA-26th), Robert Borski (D-PA-3rd), Barbara Boxer (D-CA-6th), John Bryant (D-TX-5th), Lane Evans (D-IL-17th), Peter Kostmayer (D-PA-8th), Jim McNulty (D-AZ-8th), Bruce Morrison (D-CT-3rd), Esteban Torres (D-CA-34th) and Alan Wheat (D-MO-5th).

Important Change in Committee Seats

Looking to the 98th Congress, CFA directed attention to a subtler, but

equally important change at the committee level which has large positive implications for consumers. "The House Energy and Commerce Committee—the starting point for the greatest number of important consumer bills—will lose up to nine of its present members, five Republicans and four Democrats," Nishimura stated. The median CFA voting record of these representatives is only 21%, and the group includes only one strong consumer supporter, Congressman Toby Moffett of Connecticut. If they are replaced by even average consumer members, then the prospects are strong that pro-consumer legislation will emerge from House Commerce intact. Of course we expect the new committee members to be much better than average," Nishimura said, "because we will urge CFA endorsees to seek slots on Energy and Commerce."

The recently completed lame duck session reinforces this optimism about the new Congress. "Special interest groups read the election returns just like we did," said Nishimura, "and, fearing the 98th Congress turned up the heat for their favorite bailout or special exemption. But as the session drew to a close, they walked away empty handed—no antitrust exemption for doctors, no patent extension for drug companies, no draconian bankruptcy measures for lenders."

Regulatory Initiatives

● CFA Petitions FTC on Mobile Homes

CFA has filed a petition with the Federal Trade Commission seeking retroactive relief for the purchasers of mobile homes containing formaldehyde.

The petition charges that manufacturers of mobile homes failed to disclose to purchasers the known health hazards associated with formaldehyde poisoning, in violation of Section 5 of the Federal Trade Commission Act.

David Greenberg, CFA Legislative Director, stated that "without knowing it, thousands of consumers have been subjected to a serious health risk in the very place they are supposed to be safest—their homes.

"Dealers and manufacturers knew about these risks, failed to disclose them and even covered them up. Now they ought to pay for the damage that failure to disclose has created."

According to the CFA petition, the acute symptoms of formaldehyde poisoning include eye, nose and throat irritations, respiratory impairment, mental and psychological disfunction and numerous "asthmatic-like" symptoms.

In addition to these short term effects of formaldehyde poisoning, the chemical has been linked to cancer in laboratory animals.

Yet mobile homes carry no warning labels. In fact, many manufacturers and dealers deny there is any health problem associated with the use of the chemical in mobile homes. "Many dealers tell the prospective buyers the fumes they smell—formaldehyde fumes—are just a 'new home' smell that will go away shortly," Greenberg said.

Formaldehyde is used extensively in the construction of mobile homes, as paneling, decking, in cabinets, built-in furniture, subflooring, and moulding. Because of the limited air space in a mobile home, the formaldehyde fumes from these multiple sources build up and are not dispersed.

Mobile home sales are expected to reach half a million by 1990. Already mobile homes account for 90 percent of all new-home sales under 35,000. Occupants of mobile homes are usually either young couples with small children or elderly persons. These segments of the population are among the most susceptible to adverse reactions from exposure to formaldehyde gas.

The CFA petition charges that manufacturers and dealers were aware of the adverse health effects of formaldehyde for many years through consumer complaints, lawsuits, the media and medical studies stretching back 65 years, but that they have refused to warn prospective mobile home buyers of the health hazards.

● Tamper-Resistant Not People- Resistant Packaging

By Maureen Anderson,
Researcher

Consumer Federation of America filed comments with the Food and Drug Administration in December strongly supporting regulations requiring tamper-resistant packaging for over-the-counter drugs, but cautioned that such packaging "need not be complicated or difficult to open in order to be effective."

CFA is particularly concerned that this packaging, proposed in response to the recent Tylenol poisonings, might create special problems for elderly and disabled consumers.

Emphasizing that the new packaging should first be tested on senior citizens, CFA Legislative Director David Greenberg said, "60% of senior citizens surveyed indicated that they had difficulty opening and closing child-resistant caps.

"Had child-resistant packages simply been tested on elderly individuals, this could have been easily avoided. The FDA must not repeat this mistake with tamper-resistant packaging," he said.

Congressman Mario Biaggi (D-N.Y.), a ranking member of the House Select Committee on Aging, has urged the FDA to conduct such testing before the February 7 implementation date.

Greenberg supported Congressman Biaggi's timetable and called for testing to begin immediately. He suggested that the Consumer Product Safety Commission cooperate with the FDA in conducting the tests, which should include handicapped persons as well as senior citizens.

Working with CFA on "uniform standards of maximum accessibility" for drug packaging is Fredrick T. Sherman, M.D., Associate Clinical Director Geriatrics and Adult Development at the Mount Sinai School of Medicine in New York.

As a specialist in geriatric medicine, Dr. Sherman has worked with the Consumer Product Safety Commission to improve child-resistant caps, and has

been in the forefront of the effort to insure accessibility in tamper-resistant packaging.

Greenberg said that the component parts of the tamper-resistant mechanism should be large and easily grasped, and should be made in contrasting colors for improved visibility.

He also noted that difficult-to-open packages often prompt the use of a knife or other dangerous object. "Because many do not have the required strength in their hands to open tightly sealed containers, CFA has proposed that the FDA establish a 'minimum break strength standard' for packages," Greenberg explained.

Finally, CFA recommended measures which would require visible, easy-to-read instructions, preferably in an international symbol system.

Other groups calling for the adoption of uniform standards of maximum accessibility include the American Geriatric Society, the Arthritis Foundation of America, the Gerontological Society of America, the National Council of Senior Citizens, and the American Association of Retired Persons.

● Consumer Groups Need Access to Complaint Data

Public interest groups will once again have access to consumer complaints about defective or unsafe products when a new CPSC rule goes into effect this spring.

The proposed rule, which is under a comment period until the beginning of January, establishes procedures for the Commission in releasing details of consumer complaints.

No consumer complaints have been released since June, 1980, when the Supreme Court ruled the CPSC had to validate information in the complaints before releasing them.

Congress, under pressure from industry, also modified Section 6-b of the Consumer Product Safety Act during reauthorization last year to require the Commission to notify industry before releasing consumer complaints and to give the industry 30 days in which to file a lawsuit blocking the information's release.

Under the proposed rule, the Commission would send a letter to each consumer filing a complaint to verify that the information given is accurate. The CPSC must also notify the manufacturer who may then provide information that the complaint is false, thereby blocking release of the complaint.

"It is vital for consumers and public interest groups to have access to these complaints," CFA Product Safety Specialist Anne Averyt said in comments filed with the CPSC.

"We need access to these complaints to monitor products that may represent a safety threat and to monitor the Commission's response to these complaints."

Calling the proposed rules "fair and equitable," Averyt added that the CPSC is the most open agency in Washington and that its openness contributes measurably to its effectiveness.

"To begin cutting away at the agency's accessibility by denying access to consumer complaints would be a dangerous precedent," she warned.

The new regulations will go into effect following review of the comments now being received by the Commission.



Tylenol has developed triple safety-sealed packaging which includes glued flaps on the outer box, a tight plastic neck seal and a strong inner foil seal over the mouth of the bottle. While CFA supports the speed with which Tylenol and other over-the-counter drug manufacturers have responded in developing tamper-resistant packaging, Legislative Director David Greenberg said it is vital that such packaging be easy for seniors and handicapped persons to open.

Giving Voice To The Public

Public Voice for Food and Health Policy, a new non-profit consumer group, has been organized by Consumer Federation of America President Ellen Haas to promote the public interest through innovative communication, regulatory and legislative initiatives.

"The time has come to communicate more effectively," said Haas, "both with and for consumers." Public Voice plans to utilize newer mass communication technologies, such as cable TV, in its public education efforts.

The new group's agenda will include advocacy to maintain strong food safety and inspection laws, opposition to agricultural subsidies, monitoring of regulatory developments in federal food and health agencies, efforts to foster appropriate international food policies, and an Information Service and Speakers' Bureau.

Founding members of the group include: Senator George McGovern; Bob Bergland, former Secretary of Agriculture; Stephen Brobeck, CFA Executive Director; Carol Tucker Foreman, former Assistant Secretary of Agriculture; Esther Peterson; and Ann Brown of Americans for Democratic Action.

Public Voice is located at 1001 Connecticut Ave. N.W., Suite 519, Washington, D.C. The telephone number is (202) 797-5145.

CFAnews



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Long Distance— Who Pays?

By David Greenberg, Legislative Director

"Sometime soon . . . a new long distance charge, called an 'access charge' . . . will be what you pay to have the opportunity to make long distance calls."

Even when the phone bill seems most out of control—from rate increases, the threat of local measured service or charges for directory assistance—there has always been one thing you could count on. If you didn't make any long distance calls, you wouldn't have to pay any long distance bills.

But in this era of rapid change in telecommunications, even that familiar principle may no longer hold.

Sometime soon, telephone customers will probably open their monthly bill to find a new long distance charge, called an "access charge." On average, the access charge will cost about seven dollars, each and every month. If, however, you happen to live in certain primarily rural states you may be paying quite a bit more: Nevada—\$27/month; Wyoming—\$25/month; Vermont, Florida, Colorado—\$13/month. Nationally, the total bill will come to more than \$7 billion annually.

Expensive Opportunity

Whether you make five long distance calls or 500, the access charge will not change. In theory, it is what you pay to have the opportunity to make long distance calls, *i.e.*, access to the long-distance network. It's like a long distance pay phone, except that you put seven dollars in the slot instead of twenty cents—and you put your money in whether you want to make a call or not.

To understand the access charge concept you must analyze what is happening as a result of the break up of the Bell System.

In the past, one integrated company (AT&T) provided both local and long distance service. As a regulated monopoly, it was allowed by the FCC and state commissions to earn a fixed return on its assets. Under those circumstances it was not crucial to separate the costs of the system into one segment representing local costs and one segment representing long distance costs.

Now it is. Given the divestiture of local companies, local and long distance service will be separate and will have to be paid for separately. While the services will come from different companies, they will obviously share equipment in common, *e.g.*, the telephone handset, the wires to local switching stations etc. After all, no one expects to have to purchase two telephones, one for local and one for long distance calls.

Getting from Here to There

Therein lies the problem. A long distance call must travel over two local phone networks—one in the calling city and one in the receiving city. So the network of equipment, wires and switches that we use to call across town are also used to call across country. About half of the costs of a long distance call lies in this "local loop." How do the local companies get paid for the use of their local network to process long distance company's call at both ends? The answer is the access charge.

The problem with access charges is in getting from here to there. Right now, phone companies recover the local costs of a long distance call through a per minute charge on long distance calls. Thus, high volume customers pay many times their share of local fixed costs while low volume customers (including most residential users) pay for only a portion of the fixed costs attributable to them.

Mushrooming technology and the services it can make available to high volume customers (usually large businesses) doom this costing system. For if large users are forced to pay many times their portion of local costs, it may become economical for them to "by-pass" the local network through new microwave or satellite arrangements. If they do by-pass, high volume users will pay nothing to cover local fixed costs and those costs will fall on the remaining customers, raising their rates.

The access charge system proposed by the FCC is designed to remedy the by-pass dilemma. Especially as conceived in the Commission's "Pure II" proposal, access charges would recover fixed investment through a fixed monthly charge per telephone line; every user would pay the same access charge per line no matter how many calls he or she makes. If local costs are averaged nationally, this charge would be about \$7/month.



While it may remedy the by-pass problem, the access charge system obviously creates new problems of its own. First, the \$7/month would raise the telephone bills of 85% of residential customers and 60% of business users who pay less than that for local loop costs today. Second, the seven dollar figure assumes nationwide averaging. Without such averaging rural customers could be forced to pay considerably more—some access charges could range as high as \$20/month or more.

A variety of proposals have been put forward to address these problems: subsidies for low-income residential users and rural long distance customers; a phase-in period to cushion the pocketbook from the blow of access charges; a life-line option to allow customers to make a limited number of long distance calls at a lower access charge.

The FCC will be acting on the access charge system by early 1983. Consumers must use their own "access"—to the FCC, elected officials, and state regulators—to ensure that their concerns are not subject to "by-pass."



Brobeck Testifies

CFA Executive Director Stephen J. Brobeck recently testified on alternative anti-inflation policies before the House Subcommittee on Domestic Monetary Policy. After criticizing monetarist policies for bringing down the inflation rate only 2-3% at staggering social and economic costs, Brobeck urged the adoption of "targeted policies that seek to

restrain prices in different economic sectors" and an income policy.

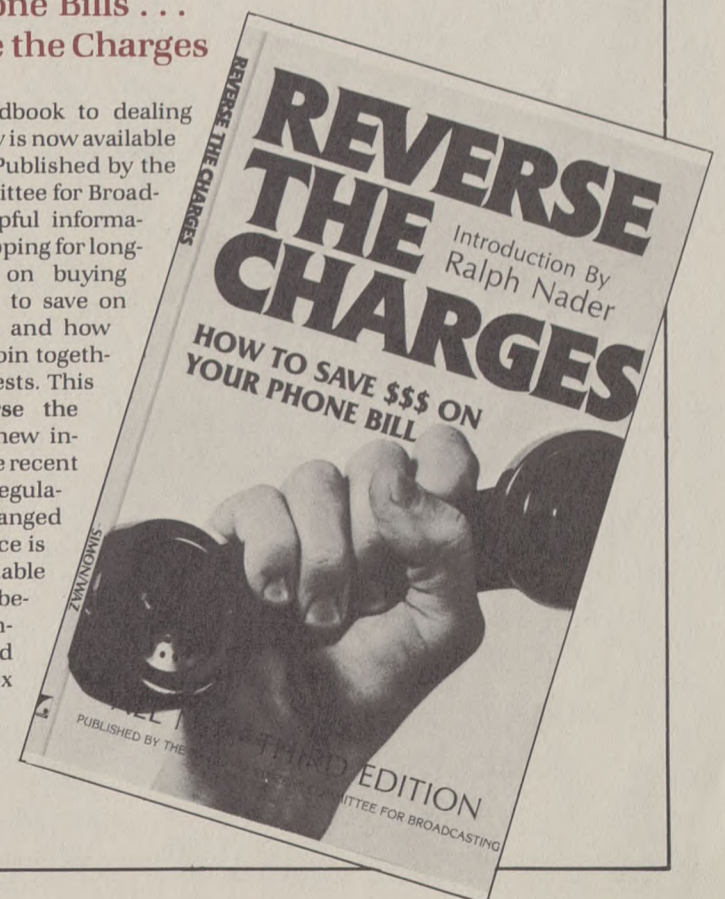
"Almost half the double-digit inflation of 1979 and 1980, and half the drop in the inflation rate in 1981 and 1982, was accounted for by only two factors—oil prices and mortgage interest rates—which rose and fell fairly independently of the Federal Reserve's policies," Brobeck said.

"Targeted inflation-fighting policies should include, in the area of energy for example, the retention of controls on old natural gas and elimination or modification of take-or-pay contracts with escalator clauses. Incomes policies must also seek to insure all forms of compensation increase no more rapidly than productivity," he said.

Other panelists included Rudy Oswald, Research Director of the AFL-CIO, and a representative from the National Association of Manufacturers.

To Cut Your Phone Bills . . . Just Reverse the Charges

The consumer's handbook to dealing with the phone company is now available in a new third edition. Published by the National Citizens Committee for Broadcasting, it contains helpful information on competitive shopping for long-distance service, tips on buying phone equipment, how to save on local and in-state calls, and how phone consumers can join together to protect their interests. This new edition of *Reverse the Charges* also contains new information on many of the recent legislative, judicial and regulatory charges that have changed the way telephone service is structured. It is a valuable book that helps you become a smart phone consumer. For a copy send \$4.95 to: NCCB, PO Box 12038, Washington, DC 20005



Consumer Assembly '83: Consumers Take the Offensive

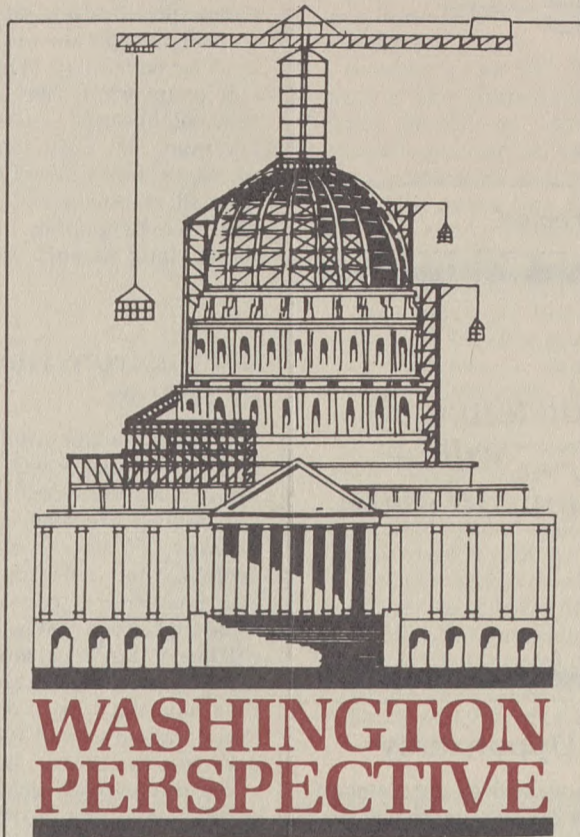
By Stephen Brobeck, Executive Director

Ever since legislation to establish a federal consumer agency was defeated in 1978, consumer advocates have been on the defensive. Shortly thereafter, diverse special interest groups joined together to attack the powers and programs of the Federal Trade Commission.

In early 1981, these interests were joined by a new Administration which sought to eliminate the FTC's Bureau of Competition, the Consumer Product Safety Commission, Legal Services, and the Consumer Co-op Bank, and to cripple other regulatory agencies through anti-regulatory appointments and severe budget reductions. Emboldened by the White House's anti-regulatory rhetoric and policies, special interests sought to take even larger shares from a shrinking pie through antitrust exemptions, price decontrol, and other "reforms."

Advocates Defend Past Protections

Although unable to block most appointments and cutbacks, advocates succeeded in preserving all major consumer agencies that were under attack. Meanwhile, Reaganomics eroded support for "deregulation" by driving up unemployment, underemployment, personal bankruptcies, and mortgage foreclosures to record levels. One result was huge gains for the consumer interest in the recent Congressional elections. As explained in a page one article, these were far larger than the 26 seats taken by Democrats.



WASHINGTON PERSPECTIVE

In the past two years, particularly at the federal level, activists have been forced to spend their energies fending off the attacks of special interests and anti-government ideologues. But, given recent changes in Congress and the country, next year advocates will again have opportunities to propose their own initiatives. CFA intends to do so in the areas of product safety and banking, and other consumer groups will certainly initiate similar campaigns on other issues.

Congressional Leaders To Propose Agendas

A prime purpose of *Consumer Assembly '83* is to explore ways that advocates can "take the offensive" in the coming year. After pollster Lou Harris analyzes the political implications of the '82 elections, Congressional leaders including Rep. Henry Waxman, Sen. Bob Packwood, and Sen. Ernest Hollings will propose consumer agendas for the 98th Congress. They will be joined by several pro-consumer freshmen representatives who will discuss the most pressing consumer issues they see facing the country.

Special White House Assistant Elizabeth Dole has been invited to explain the Administration's consumer priorities for the coming year. National consumer leaders Joan Claybrook, Sid Wolfe, and David Pittle will propose agendas for the National Highway Traffic Safety Administration, the Food and Drug Administration and the Consumer Product Safety Commission, respectively, while FTC Commissioner Mike Pertschuk will give a keynote speech developing the theme of the Assembly.

How old strategies can be employed to launch new offensives will be the focus of workshops on product safety networking, litigation, press relations, and consumer education. State and local issues will be treated in workshops on banking, natural gas, phone divestiture, and corporate consumer advisory councils.

As the nation's largest conference of consumer activists, *Consumer Assembly '83* provides a unique chance to forge a consensus on issues and strategies. In the past half-decade this opportunity has never held greater potential.

Consumer Assembly 1983

CONSUMERS TAKE THE OFFENSIVE:

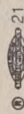
**A New Agenda
for a New Congress**

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- Senator Ernest Hollings
- Senator Bob Packwood
- Representative Henry Waxman
- Pollster Louis Harris
- CPSC Chairman Nancy Steorts
- FTC Commissioner Mike Pertschuk
- Joan Claybrook
- Sidney Wolfe
- David Pittle
- and many others

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