



news news news news

consumer federation of america

Washington, D.C.

January 1977

Consumer Assembly '77



Face to Face with the New Leadership

February 9-12, 1977
Washington, D.C.

Consumer advocates from throughout the country will have a unique opportunity to meet, hear, and exchange views with the nation's new leaders at Consumer Assembly '77. The conference will be held February 9-12 at the Statler Hilton Hotel in Washington, D.C.

President Jimmy Carter and Vice President Walter F. Mondale have been invited to address the nation's largest annual gathering of consumers. In addition, newly appointed Cabinet members, agency heads and key Congressional representatives will present their consumer agendas and be questioned by panels of consumer leaders.

The impressive list of speakers who will address Consumer Assembly '77 includes Secretary of Transportation Brock Adams and President Carter's chief energy advisor James R. Schlesinger.

Consumer Assembly '77 is an historic event for American consumers. It marks the first time that so many consumer leaders will have the opportunity for an open, honest exchange with the officials who will lead the country for the next four years. The Assembly's goal is to develop national consumer priorities in areas such as citizen participation, health, energy, food and credit and to seek endorsement of those priorities from our new leaders.

Based on the responses to extensive questionnaires sent to both state and local consumer activists and government consumer protection officials, CFA has planned nine afternoon workshops designed to give practical, "how to" knowledge on a variety of critical consumer concerns. Of special interest to state and local consumer advocates will be the following workshops:

Consumers and Utilities: Intervention and Reform

Local utility activists will share their experiences of the past year in intervention and rate reform, with an eye to mapping successful strategies for the future and developing national resources on recurring issues.

Shortening the Food Chain: Creating Farmer-to-Consumer Markets

City consumer agencies and organized private citizens have acted to reduce the soaring costs of food and to increase the farmers share of the food dollar by creating direct markets between farmers and consumers. This workshop will focus on the techniques for setting up such markets and the ways that officials and private groups can enhance their viability.

Skills for activists: Putting out a Newsletter

Information is the name of the consumer game, and putting out a newsletter is the key to getting known and being heard for many consumer groups and agencies. Editors of successful consumer newsletters will share their experiences in investigative reporting, low-budget production, building subscriptions and getting renewals.

Consumers Look at Electronic Funds Transfer Systems

New technologies, and all the problems they entail, are usually presented to consumers as established facts about which little can be done. In this workshop consumer officials and private activists will anticipate some of the problems that must be dealt with as EFT systems are implemented, in order to guarantee that hard-won credit and privacy rights not be traded for the convenience of a plastic card. Discussion of issues will be accompanied by suggestions for legislative and other action at the state and federal levels, and the sharing of national resources on EFTS.

Skills for activists: Reaching the Media

Leaders of consumer organizations with proven expertise in getting and holding the attention of the media (including print, radio and TV) will share techniques and practical experience, including the mechanics of a good press release, when to contact the press and where to direct attention for maximum results.

Skills for activists: Organizing for Power

Organizers with wide experience in different issue areas will hone the skills of local groups with their expertise in building national and statewide coalitions, organizing a signature campaign, and expanding the membership base.

Utility Advocates Panel: A Legal Update

Members of the Utility Advocates Group, organized by the National Consumer Law Center in Boston, will update critical utility issues and pinpoint possible legal developments for the coming year. Issues will include electric rate structure, customer service regulations, and the new gas conservation proposal for utility financing of home insulation.

Skills for activists: Fundraising—the Perennial Problem

Consumer organizers with a broad range of skills will offer a variety of solutions to the never-ending problem of funds, with emphasis on programs that can be adjusted according to the needs and audiences of local groups.

Complaint Handling: Whose Responsibility?

Representatives of local consumer agencies and private consumer organizations will discuss the who and how of complaint resolution and argue the merits of different approaches. Complaint handling as a tool for effective law enforcement and as an organizing issue for local groups will also be discussed.

CFA Mourns Senator Hart

Senator Philip A. Hart died of cancer Dec. 26, 1976 in Washington, D.C. at the age of sixty-four. During his eighteen years in the Senate, Hart was a vigorous advocate of consumer rights. He authored or co-sponsored nearly every major piece of consumer legislation enacted by Congress. Frequently cited as the "conscience of the Senate," his colleagues voted last summer to name a Senate office building now under construction the "Philip A. Hart Memorial Office Building."

Upon Hart's death, President-elect Jimmy Carter stated, "Senator Philip Hart was a man of unquestioned integrity. He exemplified the highest moral and ethical standards in public service. He was a friend of the American consumer and a tireless worker against injustice. His death is a tragic loss to the people of Michigan, the United States Senate, and our entire nation."

Highly regarded by his fellow Senators for his integrity, fairness, compassion and modesty, he persistently supported such unpopular causes as civil rights, busing and gun-control. Hart confronted the automobile industry on anti-trust, safety and anti-pollution legislation despite the major economic influence of that industry in his state. According to Senator Edward Kennedy, "He really represents an important ideal for all those who serve in the Senate...When you think of the Senate, you think of Phil Hart."

The Senator's low-key approach often influenced the passage of legislation. "He had a knack, in the midst of a controversial debate, of standing quietly and with his eloquent rhetoric, saying why he was voting as he was voting, not trying to influence others, that had a noticeable effect on the Senators on the floor. I suspect it often changed votes," related Senator Edmund Muskie (D-Maine).

Hart affected most consumer, civil rights and anti-trust legislation. As a member of the Senate Commerce Committee, he represented the consumer in environmental, no-fault auto insurance, and consumer protection measures. As Chairman of the Anti-Trust Subcommittee of the Senate Judiciary Committee, he investigated drug pricing, auto insurance, oil pricing and the concentration of wealth and power in this country's giant corporations. He was a leading sponsor of the Drug Safety Act of 1962, the Truth-in-Packaging Act of 1965, the Truth-in-Lending Act of 1966, and the Motor Vehicle Act Information and Cost Saving Act of 1972. Hart also played a key role in the Voting Rights Act of 1965 and the Open Housing Civil Rights Act of 1968.

Senator Hart's legislative career was successfully completed with the passage on September 30, 1976 of the Hart-Scott-Rodino Anti-trust Improvements Act. This Act will significantly strengthen the enforcement of the nation's anti-trust laws. Senator Mike Mansfield, Democratic Majority Leader, commented on Hart's impact on the passage of this bill: "His wisdom, his intelligence, his quiet

effective manner, and his courage and tenacity primarily have been responsible for the passage of what is considered to be a monumental piece of legislation which will long benefit the people of this nation...I salute a good man and a cherished colleague...the noblest of us all.

To CFA, Philip Hart was both a close friend and a strong ally. In 1971, he was chosen as the first recipient of CFA's Award for Distinguished Public Service. In his acceptance speech Hart spoke of the consumer movement as being on the verge of a new era. This next phase was to be the establishment of an independent consumer protection agency, which, according to Hart, should be removed from Presidential control: "...the facts of life are that the interests of a politician who heads our country do not always coincide with the best interests of consumers...Why shouldn't consumers be able to get the ear of the regulator as easily as do those he is supposed to be regulating?"

CFA honored Hart again at Consumer Assembly last January when it presented him with an antique rocking chair in recognition of his role as an outstanding consumer leader. An Irish poem by Arthur O'Shaughnessey was inscribed on back of the chair:

"We are the music makers
And we are the dreamers of dreams
Yet, we are the movers and shakers
Of the world it seems."

The rocker, with its patchwork pillow, occupied a special place in his Senate office.



Coffee Cut Urged

Consumer Federation of America, in coalition with other consumer groups, and joined by food retail and restaurant officials, urged consumers to reduce coffee consumption nationally by 20 to 30 percent. The goal of the coalition, announced at a Washington, D.C. press conference, is to achieve a reduction of 50 cents to a dollar per pound in the retail price of coffee. "We believe a reduction of this magnitude is possible, and would contribute significantly to stable food prices this year," stated CFA Vice President Ellen Haas in announcing the group's position on January 10.

Retail coffee prices have nearly tripled in the past two years, increasing from an average \$1.23 per pound in 1974 to over \$3.00 per pound by late 1976. The coalition expressed concern that coffee prices could easily reach \$4.00 a pound, or even go higher. Traditionally, processing and distributions costs have added 100 to 130 percent more than the price of green coffee beans to retail coffee prices. Currently, the import price of Brazilian coffee is quoted at \$2.25 a pound, a level which has more than doubled in the past year.

"Our immediate objective is to halt any further increase in coffee prices, and, over the next two to four months, to work on bringing down the retail price," added Haas. "It will be an interesting experiment. The coffee industry believes that coffee prices are almost totally inelastic, which means they believe the consumer will pay any price for coffee."



"We're not celebrating anything... we just can't afford coffee any more."

However, coffee consumption has been slowly declining in the U.S., and the U.S. accounts for a much smaller share of the coffee export market today than a generation ago. Moreover, informed retail sources report that the supply of coffee in the U.S. and the world is generally adequate. Green coffee imports into the U.S. are greater in 1976 than in 1974, for example.

According to the coalition, the only action which may shake the coffee industry assumption is a significant drop in consumption, and only the American consumer acting in concert can achieve this impact. The coalition maintains that consumers can make this effort without a boycott action. It suggests a modest change in the amount of coffee consumed daily, either by drinking one or two fewer cups per person on the average, or by shifting to other beverages, such as tea, to reduce consumption.

A growing number of food chains across the country have begun to urge shoppers to buy tea or other beverages in place of coffee, and some have sought to encourage the shift by offering tea at special sale prices. Among them are Pathmark Stores, A & P, Giant, Stop 'n Shop, Wegman's, Just Right and the Daitch-Shopwell chain.

Restaurants also have begun to support a shift in beverage consumption by urging consumers not to order coffee. In Washington, D.C., for example, the owner of Pier 7 restaurant is offering customers tea and milk at half the price of coffee.

Groups taking part in the "Cut Coffee Consumption" campaign, in addition to CFA, include Community Nutrition Institute, Americans for Democratic Action and the Maryland Citizens Consumer Council.

Their recommendations appear below:

Coffee Buying:

The average family buys 50 pounds of coffee a year, or a pound a week or a two-pound can every two weeks.

1. If you buy one pound weekly, skip every fourth week.
2. If you buy two-pound cans, buy a one pound can instead every other purchase.

CFA's State and Local Organizing Project is collecting information on organized consumer efforts to lower coffee prices. If your organization is undertaking activities in this area, please notify Sally Taylor, Consumer Federation of America, 1012-14th Street, N.W., Room 901, Washington, D.C. 20005. (202) 737-3732.

Speak Out!

No-Fault Scoreboard

by Kathleen F. O'Reilly
CFA Legislative Director/Staff Attorney

It's been almost one year since No-Fault Auto Insurance legislation was narrowly defeated in the Senate. Opponents of No-Fault had planted and then exploited a maze of news stories which reported that No-Fault was not working well at the state level. The latest Reports now strongly confirm what supporters have known and insisted all along—that No-Fault *has* worked well in states that have a comprehensive law which parallels the national standards. In those states where it has not been a success the problem lies with badly drafted laws which feature "add-on" provisions and/or low thresholds of recovery which make a mockery of true "No-Fault."

Only 24 states have even passed laws which claim the characterization of No-Fault. And of those states only one, Michigan, has a law which is essentially compatible with the proposed national standards. Eight of the states have "add on" forms of No-Fault which in effect require the consumer to pay for full no-fault benefits *plus* paying for the traditional tort liability coverage necessary before No-Fault went into effect. Small wonder that when payments are being made out of *both* fault and no-fault systems costs have gone up dramatically.

In some so-called "No-Fault" states the law provides a very low threshold of medical expenses above which law suits are still allowed. Florida with its \$1,000 threshold is typical. The practical effect is that a low threshold encourages victims, their attorneys and doctors to inflate otherwise small claims so as to reach the thresholds which then allows them to go to court and sue for pain and suffering. Consequently low thresholds accomplish very little in reducing litigation and administrative expenses. Many of the logical good benefits which flow from no-fault are thus destroyed.

The Michigan experience is the most logical measuring stick for analyzing no-fault. On October 6, 1976 Michigan's Insurance Commissioner, Thomas C. Jones, submitted a detailed report on the Michigan No-Fault experience. It documents persuasive evidence of the success of Michigan's No-Fault law during the 3 years the law has been in effect.

The Michigan law provides mandatory coverage for: 1) unlimited medical and rehabilitation benefits; 2) work or income loss benefits of up to \$1,285 a month for a maximum of three years; 3) dependent survivor loss benefits of up to \$1,000 a month for a maximum period of three years; 4) replacement service benefits of up to \$20 a day for a maximum period of three years for disabled accident victims and dependent survivors of victims; and 5) funeral and burial expenses of \$1,000.

How has it worked?

1) For the first two years of no-fault, average Michigan auto insurance rates remained unchanged. In the latter part of 1975 rates began to rise largely due to inflation. Since 1975 the rates have risen 25-30%. These rates are, however, substantially *less* than states with other no-fault systems and less than states which still have the fault system. In addition, it cannot be over-emphasized that factors such as a 91% increase in automobile crash parts and an overall 49%

increase in medical care costs have been the major causes of increased auto rates. (It's particularly important to remember that unlike many of the state laws which require inclusion of property damage, the national standards would leave that decision to each state.)

Rates for Michigan senior citizens actually *decreased* 38% when no-fault was introduced. This is because the traditional fault system forces senior citizens and low-income citizens to subsidize other policyholders. Under the fault system rates are determined by the loss (including medical and wage loss) of the potential victim not the policyholder. Under no-fault the insurance company analyzes the loss to *you*, the policyholder. So if your income level is relatively low it will be reflected in your insurance rate.

2) Prior to No-Fault, legal costs accounted for as much as 30% of the judgements received in Michigan. Delays of up to five years were endured even by persons in critical need of speedy recovery. Under No-Fault nearly all claims in Michigan are paid within 30 days.

3) Over 30% of the catastrophic claims (claims in excess of \$25,000) now being paid under No-Fault involved single vehicle accidents which would generally not have been compensated.

4) Before No-Fault 34% of the families suffering a serious injury or fatality were forced to use their own assets or borrow funds to pay the costs associated with the accident. Now with No-Fault that is not necessary.

That No-Fault is the more humane system is evidenced by an excerpt from a recent letter to the editor of a Michigan newspaper: "...No-Fault has been a godsend to our family over the past 28 months. At that time our 18-year old son was very seriously injured in a collision between his motorcycle and a car.

"No fault picked up the medical bills that our medical and hospital insurance didn't quite cover. And, when necessary, it will also pay 85 per cent of lost gross earnings.

"No fault cannot save and restore lives, but it certainly helped our son over what could have been a pretty rough rehabilitation."

Looking at all the states, it is interesting to note that of the 24 states that have passed any form of no-fault law 15 have premium rates which rose *less* than the premiums in states without no-fault.

By any standard, prompt payment, comprehensive payment, lower increase in premiums, a larger portion of the premium dollar going back to policyholders instead of being eaten up by legal and administrative expenses, payment to victims who would otherwise go uncompensated, and less burden on the court, no-fault does work well if the law is framed to provide comprehensive first-party benefits. The states are not doing a proper job of ensuring such comprehensive programs and have been too easily intimidated by the powerful and well-financed trial lawyers lobbying effort. The time has definitely come for quick passage of minimum national standards.

Public Interest Advocacy Conference Held

Three top Carter-Mondale Transition Team leaders headlined the list of speakers and panelists at a Public Interest Advocacy Conference held December 6-7 in Washington, D.C. The purpose of the conference, sponsored by Ralph Nader and Public Citizen, was to get public interest groups back into the process of working with the Administration, as well as to share the latest ideas on lobbying, litigation, and other techniques.

Stuart Eizenstat, Director of the Office of Policy Analysis and Agency Liaison, W. Bowman Cutter, Director of the Office of Management and Budget Transition, along with Joseph Califano, Secretary-designate of HEW, all enumerated ways in which they thought public interest groups could work with the Carter Administration. Their approach opened a relatively new dimension of activities for such groups - working with the Administration, rather than *against* it.

Joseph Califano, moderator of the key panel at the conference, related several examples of lobbying under the Johnson Administration for which he was chief domestic affairs advisor. Califano stressed the importance of lobbying the Administration as well as Congress, and of doing so long before a particular issue reaches the President's desk, when his decision is probably close to final.

Eizenstat invited public interest advocates to submit their views to the Carter Administration. As one participant at the conference later noted, "It may not have seemed an important statement, but you have to realize it's the first time this crowd has heard that invitation from an Administration in eight years." Eizenstat then answered

almost 45 minutes of questions from the audience on specific areas of concern. On issues such as the B-1 Bomber and extensive welfare reform, he warned that President-elect Carter will act with caution due to considerations other than the public interest viewpoint.

Bo Cutter participated in a second panel dealing with "The Budget Process." He explained the timetable the new Administration would have in preparing its budget, and the need for advanced groundwork so that organizations could have effective, early input into the budget. Alice Rivlin, Director of the Congressional Budget Office, gave participants a more detailed explanation of the Congressional Budget process adding that her office and the Budget committees, "should be lobbied like any other Committee."

In his luncheon address to the conferees Senator Paul Sarbanes of Maryland listed a plethora of "public interest" issues he had been confronted with as a Representative. He encouraged those lobbying for such issues to set priorities on their issues or busy Representative and Senators would never be able to give adequate attention to any of them.

Other areas discussed during the conference were corporate chartering, civil service accountability, funding public interest organizations, building coalitions, techniques of public interest lobbying, and citizen organizing.

According to Conference Director Dave Lenny of Congress Watch, over 250 people representing 175 organizations attended the two-day meeting. Conference proceedings will soon be published and available from Public Citizen Litigation, Suite 700, 2000 P Street, N.W., Washington, D.C. 20036.

Milk Marketing: Looking at the System's Future

"The American family is paying a monopoly overcharge of between \$500 million and a billion dollars a year," charge consumer advocates on the federal milk marketing system. At the same time dairy farmers are working longer hours each day, more days a week and for a lower average income and return on their investment than any other class of businessmen in the country. Milk producers remind consumers that they are paying about 60% less for milk today, in relation to total disposable income, than they were about 25 years ago. The Department of Agriculture, upon whom rests the responsibility for regulating milk marketing and pricing, is placed in a difficult position between the consumers and producers. It is keenly aware of the complexity of the problem and is concerned with preserving a system which has essentially worked to assure orderly marketing, while keeping the system responsive to changing economic circumstances and providing the consumer the lowest possible prices.

These three factions—consumers, producers and the government—came together for dialogue and education at the "Conference on Milk Marketing" held by the Community Nutrition Institute, the National Milk Producers Federation and the United States Department of Agriculture in Washington, D.C. on December 14 and 15. It was the first such forum to be jointly sponsored by the three groups.

Sessions featured panelists from universities, government, industry (producers, handlers, processors, distributors, retailers) and consumer groups, who presented and discussed papers on issues including: the economic forces and institutions in the changing milk marketing system; milk pricing alternatives; and the role of cooperatives, processors and retailers in the milk marketing system. The federal regulation of milk marketing was established to give order to a market which, if unregulated, would operate with such wild price fluctuations that producers would be driven out of business and consumers' demand for milk would not be met.

Dairy farmers are in a very vulnerable market position. Because of the perishable nature of milk, it must be sold as soon as it is produced. The volatility of the milk market is further contributed to by the variety of uses of milk and the varying seasonal demand for milk by consumers and retailer

which does not coincide with the varying seasonal output of milk by the dairy cow. The federal milk marketing system, comprised of antitrust exemptions for some activities of cooperatives and federal marketing orders setting minimum prices, was developed in response to the special characteristics of the milk market and the position in which dairy farmers are consequently placed.

One aspect of the milk marketing system discussed was the classified pricing system. Panelists explored alternatives to the present system wherein prices reflect market values of fluid versus manufacturing milk and their end products. Although some price differential is arguably justified by the higher costs of production and transportation of fluid milk, there is serious debate on the magnitude of the price differential, which raises prices of fluid milk for the consumer.

Consumers point to the recent mergers of super-cooperatives and their market dominance as contributing to the high price of milk. These mega coops are able to impose "premiums," charges over the minimum prices mandated by federal orders, on milk prices. Although the Capper-Volstead Act, one of two laws which provide coops with their antitrust exemption, calls for the U.S.D.A. to enforce a prohibition against "undue enhancement" of milk prices, the term has not been defined and the Department of Agriculture has neither set standards regarding "undue price enhancement" nor taken any action to monitor the dairy industry or to prevent it from charging whatever it chooses.

Dairy farmers claim that they need cooperatives to effectively extend themselves into the market. They emphasize that coops are not the monopolistic monsters they may seem, but rather just family farmers trying to scratch out a living. Conference speaker, Professor Ronald Knutson of Texas A & M University, explained that coops serve an important function in milk assembly and surplus processing. They act as a countervailing influence to the power of processors and retailers in the milk market and as a competitor in markets for cheese and fluid milk where significant oligopolistic conditions already exist.

Conference workshops focused on price support alternatives; geographic structure of milk prices; whether the federal order price should be the effective price; and

government policy toward the role of cooperatives, processors and retailers.

The various interests represented at the Conference all recognized that certain needs must be satisfied by a federal milk marketing system: farmers need an adequate return on their investment and labor and they need cooperatives to serve as their bargaining agents; consumers need stable prices and they need to be represented in price and policy decision making. Although no one solution came out of the Conference, there was strong agreement that reform of the present milk marketing system was necessary.


Among the suggestions for change of the present system were:

- Create a new pricing formula for milk to assure better response of milk prices to changing economic circumstances
- Set one national minimum price for milk, rather than separate prices, as now exist, for 50 regions, or at least reduce the number of regions with separate prices, to equalize prices and improve distribution patterns
- Get rid of classified pricing and the consequent subsidizing of manufacturing milk by fluid milk users
- As possible solutions to the problem of monopolization and possible overcharging by dairy cooperatives, the following suggestions were also made:
 - Limit the legal size of cooperatives to prevent extreme market domination
 - Enforce antitrust laws (from which coops are not exempted) to prevent cooperatives from suppressing competition by non-members
 - Stop restrictive practices by more stringent application of the powers of the Secretary of Agriculture under the Capper-Volstead Act
 - Prohibit cooperatives, especially those in control of local milk supplies, from extending their activities into bottling and processing
 - Define legislatively, how much may be charged over the federally mandated minimum price.

Among the Conference's 225 participants were CFA members, Dan McCurry of Louisiana Consumers League, Doug Hildenbrink of Consumer Protection Center, Baton Rouge, La., and Roy Alper of California Citizen Action.

Reprints of the Conference proceedings will be available after March 1 from Community Nutrition Institute, 1910 K Street, N.W., Washington, D.C. 20036.

PHANTOM TAXES IN YOUR ELECTRIC BILL



Friendly Electric Power Corp.		ACCOUNT NO.
55	KK830	01-1234-0567-080
20	90329	
31		
DESCRIPTION	AMOUNT	
1311 KILOWATT HR CHG	4945	
FUEL COST ADJUST.	1287	
SALES TAX AT 5%	250	
NET CURRENT BILL	6472	
PAYMENTS THRU JAN 25 '76		6472
PUB. COST ADJUSTMENT PER 1976		

KEEP THIS PART

You may not have realized it, but every time you pay a utility bill, you are probably making an interest-free loan to your utility company. The way federal tax laws are now structured, and as they are administered by local utilities commissions, utility companies can charge customers for taxes the companies will not pay to the government for several years, if at all.

In 1975, for example, the 150 largest private electric utilities in the United States charged their customers \$2,198,770,163 for federal income taxes. By using loopholes in the tax laws, however, they paid only \$727,869,518 in federal taxes. Thus, in 1975, \$1,470,909,645 in taxes was charged to utilities customers but never paid to the federal government.

These dismaying figures and numerous others are disclosed in a detailed and easy-to-understand booklet published last December by the Environmental Action Foundation and the National Consumer Information Center. Their publication, "Phantom Taxes in Your Electric Bill," describes how tax loopholes—primarily accelerated depreciation, and the investment tax credit—enable utility companies to charge consumers for significantly more in taxes than the companies actually pay.

By straight-line accounting methods, a company may deduct from its taxes the cost of a new asset it has acquired, spread out evenly over the projected life span of the asset. However, federal tax laws allow businesses to opt to use instead an accelerated depreciation schedule by which larger deductions can be made in the earlier years of an asset's life and smaller deductions in later years. Most utilities use this accelerated depreciation method of paying taxes.

However, federal law, and state regulatory commissions, generally allow utilities to keep two sets of books: one for federal tax purposes using accelerated depreciation; and one using straight-line depreciation figures for purposes of justifying rates to the commission. As a result, utilities can set their rates and charge customers as if they were paying more in taxes than they actually are. This surplus, or "phantom tax" money, may be used by the utility as it wishes. Often, it is used to finance the opening of new plants, or other expansion of the company.

The federal investment tax credit (ITC) gives utilities another opportunity to reduce the amount of taxes they actually pay, by permitting businesses to subtract from their taxes a certain percentage of the cost of new investments. In 1975, the law allowed businesses to deduct 10% of the cost of new investments from their tax bills. This year, the credit available will be 11.5%. However, companies are not required to consider this deduction when setting their rates.

So, under the present system, utilities can reduce their tax payments while charging customers the amount of tax which would be due if none of those deductions were available. As long as companies continue to expand, they can continue to take substantial depreciation deductions. The tax laws as now written and administered thus result in utilities' overcharging consumers, and using the extra money to expand even when this growth is unnecessary or undesirable.

Although restrictions in federal tax laws limit what consumers can do about the phantom tax problem, there are still good reasons to raise the issue before local rate commissions. For example, despite the fact that federal officials determine what the tax laws are, local utility commissions still have considerable authority in determining how federal income taxes are charged to consumers. Citizen input can affect commissions' decisions on this question. In addition, the public must be educated about inequities in the federal tax system before any movement

can be successful in bringing about a change in those laws.

"Phantom Taxes in Your Electric Bill" suggests several actions that consumers may take to help remedy the phantom tax problem. In addition, the booklet lists five other publications on utilities published by EAF or NCIC.

Copies of "Phantom Taxes in Your Electric Bill" are available for \$2.50 (\$10 for profit-making businesses) from Environmental Action Foundation, 724 Dupont Circle Building, Washington, D.C. 20036; or National Consumer Information Center, 3005 Georgia Ave., N.W., Washington, D.C. 20001.

Energy Update

President Carter has withdrawn the Ford Administration's last minute proposal to decontrol gasoline prices. While leaving his options open to decontrol at a later time, the withdrawal was at least temporary good news. CFA's Energy Policy Task Force has led the opposition against gasoline decontrol, charging the move could increase consumer prices by as much as \$5 billion a year and greatly diminish any positive effects of a proposed tax cut.

The Task Force will continue to advocate to the new Administration the need for continued controls on gasoline. Task Force members have already met with Dr. James Schlesinger, the President's chief energy advisor, on this and other pressing energy issues, such as natural gas regulation. EPTF Director Ellen Berman is hopeful that the dialogue which has been established with the new Administration will enable the Task Force regular opportunities to comment on and advise on national energy policy before such policy is developed.

Position Available

Consumers Union (private, non-profit organization; publisher of *Consumer Reports*) has an immediate opening for a Policy Analyst with a Masters Degree in Public Policy (or related field) and strong analytical training. Salary: Depends on qualifications and experience. Location: Mount Vernon, New York or Washington, D.C. Send resume to: Peter Schuck, Director
Consumers Union
1714 Massachusetts Avenue, N.W.
Washington, D.C. 20036

CFA's Legislative Targets

Consumer Protection Agency—Every indicator points toward quick passage of legislation to create an Agency for Consumer Protection to represent the interests of consumers before government agencies and the courts. Such legislation passed in both houses during the 94th Congress but never reached Conference because of President Ford's repeated promises to veto the bill. Supporters are particularly optimistic because of President Carter's enthusiastic endorsement of the bill on August 9, 1976 when he addressed Ralph Nader's Public Citizen Forum.

It is expected that the bill as reintroduced will essentially reflect the best provisions from both of the most recent Senate and House passed measures.

National Consumers Cooperative Bank—A victim of last fall's early adjournment, the Cooperative Bank bill will undoubtedly be considered again in the 95th Congress. Essentially, the bill establishes a National Consumer Cooperative Bank to lend money to consumer cooperatives. Seed capital is provided to the Cooperative Bank by the federal government with a provision requiring the cooperatives to gradually replace the government capital. Patterned after the highly successful Farm Credit System, the Cooperative Bank would provide consumers with the necessary financial base for establishing food cooperatives, housing cooperatives, health cooperatives, etc., which traditionally provide consumers with wider choices, higher quality and lower prices. Because it has been difficult if not impossible for such cooperatives to obtain funds from commercial banks, the Cooperative Bank is critically important to their viability.

Public Participation Reimbursement—Support is increasing for legislation which authorizes government agencies to reimburse eligible citizens and citizen organizations for the expenses they incur when participating in agency proceedings. It is expected to be one of the first bills to become law. Citizen participation has been too often precluded because of the high cost of such participation, including attorney's fees, expert witness fees, transportation, etc. Since July 1975 the Federal Trade Commission has provided such reimbursement in a program which has been largely successful and which serves as the prototype for the present attempt to amend the Administrative Procedure Act so that authority is extended to other agencies.

Clinical Laboratory Improvement Act—Last year the Clinical Laboratory Improvement Act passed overwhelmingly in the Senate but its House counterpart died in the final hours of the 94th Congress because of the enormous crunch of last minute business. The bill creates a national office of Clinical Laboratories which formulates minimum standards for clinical laboratories (both facilities and personnel.) Kickbacks are banned. The bill would be a logical and giant step toward reducing the scandalous error rates and inefficiencies which have become all too common in hospital, independent, and private physician laboratories.

Lobbying Reform—Certain to be resurrected is legislation requiring reasonably simplified lobbying reports to be submitted periodically by organizations which have a paid employee(s) who spends more than a certain percentage of time on lobbying.

Fair Credit Reporting Act Amendments—Last year strong lobbying efforts by insurance company forces killed the Fair Credit Reporting Act Amendments. Among other things the bill would: 1) insure that investigative reports would be prepared unless the consumer had authorized it in writing after having been informed of the nature, methods, and scope of that investigation; 2) require consumer reporting agencies to adopt reasonable procedures to assure the relevancy, completeness, and accuracy of the information collected; and 3) entitle the consumer to a personal inspection of his or her file.

In 1977 strong consumer pressure is expected to mount and produce passage of the measure.

Class Actions—President Jimmy Carter has expressed support for legislation which would overturn recent Supreme Court cases which impose unreasonable restrictions on the financial ability of consumers to initiate class actions. Class actions have proven particularly important in areas of civil rights and violations of consumer credit protection laws.

No-Fault Auto Insurance—The endorsement of National No-Fault Auto Insurance by Secretary of Transportation Brock Adams at his recent confirmation hearing is a most encouraging sign that the 95th Congress will take positive action to enact legislation which establishes federal minimum standards for automobile insurance. This approach assures auto accident victims faster and more comprehensive compensation, a greater return on their premium dollar, and a reduction of the burden on the courts. President Carter has indicated he would support No-Fault if it could be demonstrated that the states are not doing their job. Evidence to that effect continues to grow dramatically (see p. 2).

Debt Collection Practices—Legislation to outlaw debt collection practices including telephone harassment, excessive communications with the consumer's employer, threats, etc. passed in the House in 1976 but never materialized in the Senate. Both houses will undoubtedly approve such legislation in 1977.

Comprehensive Farm Legislation—Increased pressures from a variety of organizations should lead to passage of a comprehensive Farm bill which would: (1) increase support prices for essential crops to encourage full production; (2) provide for the creation of a domestic and international food reserve for the stabilization of prices as well as use in case of disaster; (3) include an export policy with a commitment to long term foreign aid assistance as well as guaranteeing domestic needs; (4) continue domestic and foreign humanitarian aid programs; and (5) increase our commitment to agricultural and nutritional research.

Financial Institutions Reform—Strong efforts will continue for legislation which would provide comprehensive reform of the nation's financial institutions. The legislation would minimally: (1) Expand the competitive powers of thrift institutions; (2) Assure a greater availability of funding for housing, particularly low and moderate income housing; (3) provide a full voluntary central banking facility for credit unions and a broadening of their criteria for membership, primarily to benefit low-income consumers; (4) reorganize agencies that regulate financial institutions and separate the monetary policy function from the regulatory function of the Federal Reserve Board; (5) provide for an annual GAO audit of the Federal Reserve; (6) expand the membership of the Federal Reserve to include public members; (7) include requirements for Truth-in-Savings information for consumers.

National Health Insurance—Supporters of National Health Insurance will wage a vigorous campaign to persuade the Administration and the Congress that funds must be committed to a federally run health insurance program which does not require deductibles or co-insurance and which is financed through payroll taxes matched by general tax revenues.

Agency Accountability Legislation—Efforts are underway to move for legislation which would broaden the legal concept of "standing" so as to provide any citizen with legal standing to challenge government action which is in violation of the law and which would recognize the right of any taxpayer (subject to minimum constitutional standards) to challenge any expenditure of tax funds in violation of the law.

On a more discouraging note, consumer forces will have to work strenuously to challenge several bills with serious anti-consumer effects. The following are likely to arise:

Congressional Veto

Attractive at first glance, this legislation nonetheless proves to be devastatingly bad upon further analysis. It allows the Congress to veto agency actions by no more than an unrecorded voice vote. Complex programs or actions dealing with complex issues, developed as the result of agency expertise, could be destroyed without so much as requiring the Congress to evaluate the record established by the Agency. The legislation provides no additional congressional staff or funding to study the hundreds of agency actions developed each week. Practically speaking, the legislation would allow the most heavily financed lobbying forces to march a second time to Capitol Hill to kill environmental, health and safety programs, etc. which are unpopular with industry. Consumer groups barely have the resources to lobby for legislation let alone have to lobby to preserve countless agency decisions. Additionally one must consider the major disadvantage of having *all* agency regulations, etc. suspended in limbo for as much as 90 days while Congress decides whether or not it will exercise its veto.

Major Revision of Truth-in-Lending

Consumer groups will emphatically resist any efforts to radically reduce the information provided under Truth-in-Lending. The fact that not enough consumers utilize the Truth-in-Lending information argues the need for more consumer education. It is *not* persuasive of the need to deprive sophisticated shoppers of valuable information.



consumer federation of america
1012 14th St. NW, Washington, D.C. 20005

PRESIDENT
Lee Richardson
EXECUTIVE DIRECTOR
Carol Tucker Foreman
EDITOR
Kathleen Sheekey

LEGISLATIVE DIRECTOR
Kathleen O'Reilly
STATE AND LOCAL PROJECT
Sally Taylor
ENERGY POLICY TASK FORCE
Ellen Berman

CONTRIBUTORS

David Fogelsong, Eric Jentsch, Irene Kessel, Dave Lenny, Michael Podhorzer

CFA News is published each month except
August by the Consumer Federation of America,
1012 14th St. NW, Washington DC, 20005
Annual Subscription rate: \$20.00/yr.

© 1976 by Consumer Federation of America
CFA should be credited for material.
All Rights Reserved.

Bulk Rate
U.S. Postage
PAID
Washington, D.C.
Permit No. 44772