CFAnews

MAY-JUNE 2002, VOLUME 28, NO. 3, ISSN #0732-8281

CONSUMER FEDERATION OF AMERICA

Consumers Suffer Legislative Setbacks

With the Senate Banking Committee's weakening of audit reform legislation, the Senate's passage of an anti-consumer terrorism insurance bill, and the president's signing of drug review reauthorization legislation, consumers have had little to cheer since Congress returned from its Memorial Day recess.

Meanwhile, anti-consumer bankruptcy legislation edged closer to passage, but the final farm bill signed by the president offered some modest consumer victories.

"Powerful interests, unchecked by the administration, are exercising great influence in Congress," said CFA Legislative Director Travis Plunkett.

Senate Panel Passes Weakened Audit Reform Bill

The Senate Banking Committee approved audit reform legislation in June that, while far stronger than a companion bill that passed the House in April, was considerably weakened to win Republican support.

To enhance auditor independence, the bill would impose new limits on the consulting services that auditors would be permitted to perform for audit clients, make audit committees directly responsible for decisions to hire the auditor to perform non-audit services, and give audit committees more responsibility for overseeing the audit and better tools with which to do so.

It would also create a new regulator for auditors with an independent funding source, broad standard-setting authority, and strong investigative and enforcement authority.

In addition, the bill would authorize increased funding for the Securities and Exchange Commission (SEC), increase the independence of the Financial Accounting Standards Board, and take other steps to improve corporate governance.

"There is much in this legislation that we support. Unfortunately, the major accounting firms and their allies in the Senate were able to weaken several of the bill's central provisions," said CFA Director of Investor Protection Barbara Roper.

Key concessions included changes: to undermine the independence of its new oversight board, to keep the board's disciplinary actions hidden from the public for as long as possible, and to weaken limits on the provision of non-audit services by auditors.

"The lack of independence in the so-called independent audit is the single most important issue Congress and the SEC must address if they are serious about restoring integrity to our capital markets," Roper said.

"Given the accounting firms' adamant opposition, it is also a test of policy-makers' own independence from special interest influence," she added. "Unfortunately, neither Congress nor the SEC seems up to the test."

The Senate bill had offered modest progress toward enhancing auditor independence, with an approach that focused on restoring the stronger limits on non-audit services sought in 2000 by then SEC Chairman Arthur Levitt.

Those limits were watered down in the final rule in response to hardball opposition tactics by the accounting firms, which included threats by their allies in Congress to cut agency funding.

While the bill retains the list of prohibited services from that original rule proposal, the section requiring the SEC to restore the stronger definitions of those services from the rule proposal was pulled.

As a result, the SEC is free to interpret the legislation as codifying the watered down definitions already in place for the bulk of services on the list. Where it adds new services not covered by existing rules, the legislation leaves the agency free to define those services in the least restrictive way possible.

"Given repeated statements by the current SEC Chairman that he sees no conflict between auditing and consulting, this gives us little hope that the legislation as it is now written will significantly enhance auditor independence," Roper said.

Independence of Oversight Board at Risk

The independence of the new oversight board for auditors also took a hit during committee mark-up. It now requires that two members of the five-member board be accountants, and it does nothing to prevent non-accountants with close ties to the industry from serving as public members.

"This is a board that can very easily become captive of the industry it is supposed to regulate," Roper said. "While the bill provides the regulator with extensive authority and tools necessary for effective oversight, they will be useless if the board does not have the will to exercise that authority."

Roper also criticized the bill provision, added at the behest of panel Republicans, which requires board actions and sanctions to be kept confidential until all appeals have been exhausted or withdrawn.

"One of the many problems with the current disciplinary system for accountants is its lack of transparency," Roper said. "This bill perpetuates that problem."

Roper acknowledged that Banking Committee Chairman Paul Sarbanes faced a difficult, if not impossible, task in trying to win the Republican support needed for the bill to overcome an expected filibuster without fatally weakening its protections.

As this issue of the newsletter went to press, however, the WorldCom scandal broke, changing the political dynamics of the issue. Senate Majority Leader Tom Daschle (D-SD) announced he had an agreement to bring the bill to the floor immediately after the July 4th recess, and the administration appeared to be softening its opposition to the Senate bill.

"Clearly, the administration is reluctant to be seen opposing strong reform measures," Roper said. "Senate leaders should seize the opportunity not only to pass the audit reform bill without further weakening amendments, but to fix those aspects of the bill that were scaled back during committee mark-up."

The WorldCom crisis also undermined the administration position that legislation is unnecessary and that SEC action is sufficient.

The SEC had issued an overview of its proposal for a new regulator the previous week.

Although the proposal appears to include some strong protections — including a supermajority of public members on the governing board — it also suffers from some serious short- comings. Chief among these are its lack of adequate standards to ensure the independence of public board members, its reliance on a group to apply to serve as the new regulator, and questions about the SEC's legal standing to force the changes in its proposal.

"Given the short-comings of this proposal, and the virtual certainty that its implementation would be delayed while aspects of the proposal are challenged in court, the need for strong legislation is all the more apparent," Roper said.

"We are grateful that Sen. Daschle has gotten the bill moving again and that a number of senators have expressed an interest in strengthening its protections," she added.

Senate Passes Unwarranted Terror Insurance Bill

On the same day that the Senate Banking Committee passed the audit reform bill, the Senate passed legislation that would force taxpayers to foot the bill for future terror losses, despite the fact that most businesses have been able to obtain terror insurance.

"This will seriously weaken the market for terrorism insurance that has been emerging in the last few months," said CFA Insurance Director J. Robert Hunter. "Taxpayers should not be forced to foot the bill for businesses and insurers that have already found terror coverage."

Senate passage sends the bill, S. 2600, to conference committee, where a compromise between the very different Senate and House bills would have to be worked out before passage of a final bill.

In opposing the Senate bill, Hunter noted that "a vigorous private market is filling most terror insurance gaps," making a massive federal hand-out to the insurance industry unnecessary.

Most larger firms have found coverage, banks are freely loaning money to businesses regardless of whether terror coverage is available, and insurers are in a better financial position than before September 11 to handle future terrorism losses, he said.

"While some problems exist in Manhattan and a few other cities, the economic collapse predicted by the insurance industry has simply not occurred," he said.

Under the bill, however, taxpayers would pick up the tab for most terror losses, with no requirement that insurers pay back the financial assistance that they receive.

It also would deprive state regulators of the ability to pre-approve rates, authority that is essential if states are to have any meaningful ability to prevent rate-gouging.

And, despite the fact that it would significantly reduce the financial risk faced by companies offering terror coverage, the bill would not require companies to respond to this lower risk by offering rebates to customers on premiums already paid.

The House bill, H.R. 3210, has its own problems — including unwarranted and onerous liability limits — but it would offer its assistance in the form of loans that insurers would be required to repay.

While arguing that the legislation is simply not needed, Hunter added that, "at the very least, any legislation should require insurers to pay back any financial assistance they receive, as the House bill does."

Anti-consumer Drug Bill Signed

An anti-consumer rewrite of the Prescription Drug User Fee Act (PDUFA) became law in June, when the president signed the bioterrorism bill.

The legislation, which codified an agreement worked out in negotiations between the Food and Drug Administration (FDA) and the drug industry, ignores many safety concerns about the drug approval process.

"The pharmaceutical industry extracted a potentially dangerous quid pro quo from the FDA," Plunkett said. "The drug companies will pay out \$80 to \$100 million in new user fees, but they've placed more strings than ever on the FDA's use of that money."

The vast majority of the new money is earmarked for review of new drugs. Just under \$20 million will go toward oversight of safety once drugs are offered for sale, and that only on drugs approved after October of this year and only for up to three years after most of these drugs are on the market.

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Legislative Set-backs, *continued from page 1*

"The good news is that the FDA will get some long overdue funding for post-market safety checks," said Plunkett. "The bad news is that they won't be able to use the money beyond three years, when safety concerns with many drugs show up."

Among the legislation's many other shortcomings:

• it does nothing to enhance FDA enforcement power;

• it imposes new decision-making deadlines earlier in the process, ignoring concerns that the law already over-emphasizes speedy approvals rather than public health; and

• it threatens to drain resources from other crucial FDA safety priorities, to produce less careful new drug reviews, to inhibit the ability of FDA to adequately police direct-to-consumer advertisements, and to increase the use of outside "consultants" approved by manufactures in the drug and biologic review process.

Abortion Provision Stalls Bankruptcy Bill

Conference committee negotiations on legislation that would limit debtors' access to bankruptcy remained stalled in early June over a provision on abortion clinic violence.

"Unfortunately for debt-strapped consumers, this one-sided overhaul of the bankruptcy laws has moved one step closer to passage," Plunkett said.

All other differences between the House and Senate bills had been hammered out by late April, when the committee reached an agreement on the contentious issue of the "homestead exemption."

That deal addresses the single most egregious abuse of the bankruptcy system — the ability of wealthy debtors in certain states to shield assets in opulent homes — and preserves the abuse.

Instead of setting a "hard cap" on the value of a home that can be kept after bankruptcy, as the Senate bill would have done, the compromise would only limit access to the unlimited homestead exemption offered in these states in cases where the debtor is guilty of a very narrow range of frauds or felonies, is declaring bankruptcy within 40 months of buying a home, or has moved in from another state in the prior two years.

That latter provision, which applies a debtor's home-state exemption for two years after a move, has perverse effects. A Texas rancher could, for example, sell his ranch, use the proceeds to buy an office and residential building in the heart of Boston, and, if he declared bankruptcy within two years of the move, shield those assets from creditors.

On the other hand, an Oklahoma homeowner who sold his home, moved to Texas, bought a similarly priced home, and declared bankruptcy within two years could lose everything, since the Oklahoma homestead exemption that would apply in this case covers only property in that state.

"The homestead deal was rushed through the conference committee and it shows," Plunkett said. "It will continue to allow affluent debtors to game the bankruptcy system, while the underlying bill will place onerous bankruptcy restrictions on moderate-income debtors who have been hit with a financial emergency."

The deal on the homestead exemption left the abortion clinic violence provision, inserted in the bill by Sen. Charles Schumer (D-NY), as the only remaining obstacle to passage of the anti-consumer legislation.

The Senate bill would prevent anti-abortion protesters from filing bankruptcy to avoid fines for violence and civil disobedience at abortion clinics.

That provision is strongly opposed by Rep. Henry Hyde (R-IL) on the grounds that the language is so broad it could apply to peaceful protesters.

Although negotiations were continuing between Sen. Schumer and Rep. Hyde, it was unclear whether they could find common ground.

Meanwhile, business interests who have much to gain from the bill's passage were increasing pressure on the two members to reach an agreement.

Consumers Score Modest Victories on Farm Bill

A requirement that meat, produce, fish, and peanuts be identified in grocery stores by their country of origin tops a short list of consumer victories in the 2002 farm bill.

The provision orders the Agriculture Department to set up a voluntary labeling program by September 30. A mandatory program would be established two years later.

In a victory for small farm advocates, only meat from animals "born, raised and processed" in the United States can carry a domestic origin label.

The farm bill labeling provision was favored by a coalition of consumer groups that included CFA, Public Citizen, and the National Consumers League.

Language was stripped from the bill that would have permitted state-inspected meat to be shipped across state lines.

This was only a partial victory, however, as the bill ordered a comprehensive review of all state inspection programs to determine if they are equal to the federal inspection program. The Agriculture Department was also asked to look at what changes state programs should make in anticipation of being allowed to ship interstate.

"Since state-inspected plants are already required to produce meat that is equal to federally inspected meat, USDA will surely find that the state programs meet this goal," said Carol Tucker Foreman, Director of CFA s Food Policy Institute.

"When they report this to Congress, there will be another effort to remove the restriction on state-inspected meat crossing state lines," Foreman predicted.

CFA opposes this unless several consumer protection provisions are added. Most important is a requirement that USDA enforce pathogen reduction standards to assure plants are producing safe products and that all plants meet a basic level of safety.

The farm bill also includes a new cash benefit for dairy farmers. The program was adopted as an alternative to a proposed national floor price for milk or reauthorization of the defunct Northeast Interstate Dairy Compact.

"Cash benefits are preferable because they are financed progressively through the tax system," said CFA Associate Director Arthur Jaeger. "As a result, the largest share of the cost will be borne by those most able to pay."

The old Northeast compact, on the other hand, was financed through an assessment on milk processors, who passed on added costs to consumers in the form of higher milk prices. "This hit low-income consumers hardest, since they spend a higher percentage of income on food," Jaeger said.

The new program also caps farm benefits at roughly the output of a 140-cow dairy. Under the compact, the greatest benefits went to those who least needed it — the largest, most financially secure dairies.

The bill included the following other provisions affecting consumers:

• The federal peanut program was reformed. Farmers who hold licenses to sell peanuts at an above-market price will be offered buyouts. A marketing loan program will replace the support price. The result should be downward pressure on retail prices for peanuts and peanut-containing products.

• A modest reform of the federal sugar program, enacted in 1996, was repealed. The change eliminated a one-cent-per-pound penalty paid by growers who turned their crops over to the government. "This effectively raises the sugar support price by a penny, putting upward pressure on consumer prices for items including boxes and bags of refined sugar, candy, and cake mixes," Jaeger noted. "It also makes it more likely growers will forfeit crops to the government this year."

• A 15-member presidential commission was established to discuss ways to consolidate food safety functions in a single federal agency. The commission, which will include consumer representatives, has a year to issue a report. Combined with Bush Administration statements favorable to a single agency, the commission could make consolidation more likely.

• The definition of the term "pasteurization" was broadened to potentially include foods treated with irradiation. At the same time, the FDA was ordered to revisit the question of irradiation labeling, and USDA was directed to educate consumers about irradiation's benefits. Consumer groups have long fought efforts to substitute terms like "electronic pasteurization" for irradiation.

On the Web

www.consumerfed.org/backpage/061802insurance_industry_giveaway.html
www.consumerfed.org/packpage/senate_insurance_handout.html
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At the Agencies

Federal Deposit Insurance Corporation

Following the lead of the Comptroller of the Currency, the Federal Deposit Insurance Corporation (FDIC) issued an advisory in May to state-chartered banks under its supervision that it intends to enforce the Federal Trade Commission Act's prohibition against unfair and deceptive practices.

This was one of several steps urged by consumer group representatives when they met with FDIC Chairman Donald Powell in May to encourage the FDIC to change its policy on rent-a-bank payday lending.

"The FDIC's announcement on unfair and deceptive practices is an important first step by the agency," said CFA Consumer Protection Director Jean Ann Fox, "but it is not a solution to the misuse of federally insured bank charters by payday lenders to evade usury laws."

Fox participated in the meeting with Powell along with representatives of U.S. Public Interest Research Group, the Community Reinvestment Association of North Carolina, and state officials from Maryland and Virginia. The groups criticized the FDIC for refusing to play a public role in ensuring that its regulated institutions do not participate in payday lending.

In permitting rent-a-bank payday loan arrangements, the FDIC is "condoning the practice in which insured banks make loans that average 470 percent APR, that snare needy consumers in debt traps, that do not involve underwriting, and that encourage consumers to write checks without money in the bank," she said.

In a letter following up on their meeting, the groups argued: that payday lending represents a market failure that harms vulnerable consumers; that it presents serious safety and soundness concerns; that exportation of payday loans is undermining the legal authority of states to regulate consumer credit transactions; that payday lending should be considered as part of a bank's CRA evaluation; and that the FDIC has failed to fulfill its responsibilities in each of these areas.

The groups called on the agency:

• to issue an advisory to FDIC-regulated banks on payday lending comparable to the one issued by the Office of the Comptroller of the Currency and the Office of Thrift Supervision;

• to conduct safety and soundness inspections based on this advisory for all state-chartered banks involved in payday lending;

• to include the payday loan line of business in CRA evaluations; and

• to adopt a policy on unfair and deceptive trade practices under the Federal Trade Commission Act.

Federal Reserve Board

Federal Reserve Board Chairman Alan Greenspan wrote a letter to Rep. John LaFalce (D-NY) in May stating the Fed's intention to enforce the Federal Trade Commission Act on a case-by-case basis. This announcement came in response to inquiries by Rep. LaFalce, who had been pressuring the Federal Reserve to take strong action to enforce the act on deceptive credit card issuers.

Food Safety Chief Counters Criticism

The Agriculture Department's top food safety official used a luncheon speech at CFA's National Food Policy Conference to answer criticism that the Bush Administration is backtracking on meat and poultry safety.

Under Secretary for Food Safety Elsa Murano's appearance came just five weeks after food safety advocates, led by CFA, picketed the Agriculture Department charging that USDA has "abandoned its legal and moral obligation to protect public health."

Their protest focused on the Bush administration's failure to enforce meat safety standards with Salmonella testing.

Murano countered that, despite a court ruling that prevents USDA from closing ground beef plants for failing Salmonella tests, USDA is using the tests "as a flag or a marker."

"We are still collecting samples for Salmonella," she said, adding that plants that fail tests are targeted for increased scrutiny by government inspectors.

As proof that USDA's modernized meat and poultry inspection system is working, Murano cited just-released data from the Centers for Disease Control indicating that food poisoning incidents declined 21 percent between 1996 and 2001.

But in a panel discussion just before Murano's speech, CFA Food Policy Institute Director Carol Tucker Foreman said the CDC data reflects progress under the Clinton Administration, not under Bush. She added that the Bush team is dismantling the very inspection program that led to the improvement.

Murano also used her speech to announce a small policy change aimed at better controlling pathogens in ground beef. Under the change, Salmonella and E. Coli 0157:H7 testing will be increased in plants that do not include a decontamination step in their processing or require their suppliers to perform one.

Speakers Discuss Food Bioterrorism Threat

Food bioterrorism was a recurring theme at the conference, which also heard from the acting head of the Food and Drug Administration (FDA), the ranking Democrat on the House Energy and Commerce Committee, and former South Dakota senator and presidential candidate George S. McGovern.

Deputy Commissioner of Food and Drugs Lester Crawford stressed the importance of protecting the food supply from terrorists, saying the "security of our food has been FDA's Job One" since September 11.

Noting that FDA is responsible for the safety of 80 percent of the nation's food, Crawford said, "There is no question but that food is a possible target for terrorism."

Asked about consolidating food safety functions in a single federal agency, Crawford said he personally favors the idea but that there are real questions about whether it can be accomplished.

Rep. John Dingell (D-MI), a chief architect of the just-enacted bioterrorism bill, spoke as the bill was nearing enactment and detailed his priorities for the food import provisions.

"As bad as you may believe FDA controls are at the border, the reality is they are much worse," he said. "As a result, imported food that is intentionally or unintentionally adulterated is much more likely to end up on America's dinner table than it is to be detected and held at the border."

Rep. Dingell blamed this on lack of resources and legal authority at FDA as well as on FDA's day-to-day operations.

He said the bioterrorism bill attempts to attack those problems by: authorizing $130 million more for FDA for food inspections, surveillance and other food safety functions and $235 million more for USDA; giving FDA authority to hold food at the border if it poses a health threat and to bar imports from those with a history of shipping contaminated products; requiring importers to notify FDA in advance of food shipments; and prohibiting the practice of "port shopping," or delivering food to one port that has been refused entry at another.

Added FDA Authority Advocated

Beyond the bioterrorism bill, Rep. Dingell said FDA still needs authority to recall contaminated food and to prohibit imports from countries that do not have food safety protections equivalent to our own.

"These deficiencies must be addressed in the future," he said. "We must not wait for the unthinkable to happen again before we do what is needed to protect the safety of our food, both imported and domestic."

In a speech marking the food conference's 25th anniversary, McGovern linked terrorism to hunger and urged expansion of several low-income food programs.

Discussing terrorism, McGovern asked, "What motivates these young men who are so angry? What is it that leads to their enormous resentment? I can't help but think misery and hunger and powerlessness in these countries is a seed bed."

Noting that 31 million Americans still don't get enough to eat, McGovern also called for increases in food stamp eligibility, the school breakfast program, nutrition education, and the minimum wage.

Rep. Rosa DeLauro

Lea Thompson

Sen. Tom Harkin

GOLDEN CARROT AWARDS PRESENTED

Rep. Rosa L. DeLauro (D-CT) and NBC News Consumer Correspondent Lea Thompson received Golden Carrot awards for advancing the consumer interest in food and agriculture policy. Senate Agriculture Committee Chairman Tom Harkin (D-IA), a previous recipient, received a special award as the leading food safety advocate on Capitol Hill.

The awards were presented at the 2002 Golden Carrot Awards Reception held in conjunction with CFA's National Food Policy Conference.

Sen. Harkin was cited for repeatedly pushing critically important legislation requiring USDA to establish and enforce limits on pathogens in raw meat and poultry and for joining CFA and others in protesting an abrupt Agriculture Department decision last year to halt Salmonella testing for school lunch ground beef.

Rep. DeLauro also was honored for her congressional leadership in food safety issues, including her efforts to: consolidate the fragmented federal food safety system; increase funding and authority for food safety agencies; enact tough provisions to combat food bioterrorism; and, like Harkin, to guarantee the Agriculture Department the right to enforce its meat and poultry inspection system with pathogen testing.

Thompson, one of the nation's most respected consumer journalists, was honored for the dozens of ground-breaking food stories she has aired that have made food safer and helped consumers make better grocery store choices.

These have included stories: investigating cereal package claims, the content of nutritional drinks, and where bottled water comes from; uncovering deadly E. coli bacteria in meat leaving a Midwestern slaughter plant, poachers in Florida taking shellfish from contaminated waters, and ground beef adulterated with other meats in grocery stores; and exposing the dangers of chicken contaminated with Campylobacter.

The Golden Carrot Awards were started 20 years ago by Public Voice for Food and Health Policy and have been continued by CFA since the 1999 merger of Public Voice and the Consumer Federation of America Foundation.

One Quarter of U.S Households Are Wealth-Poor

One quarter of U.S. households have net assets under $10,000, according to a joint report by CFA, the National Credit Union Foundation (NCUF), and the Credit Union National Association (CUNA), which defined these households as "wealth-poor."

"Wealth-poor Americans are only a lay-off or emergency expenditure away from financial disaster," said CFA Executive Director Stephen Brobeck. "They also lack the financial assets that allow investments in a home, an education, a personal business, or securities."

The report was prepared by Professor Catherine P. Montalto, of Ohio State University, based on data from the Federal Reserve Board's Survey of Consumer Finances.

It found that the wealth-poor are more likely than the general population to be young, have low or moderate incomes, and rent rather than own their homes. They also tend to have a shorter planning horizon, measured in months rather than years, to spend more than their incomes, and to be unwilling to take financial risks when saving or investing.

There are, however, wealth-poor households that do not share these characteristics and other households with significant assets that do. For example, 10 percent of households with net assets under $10,000 are over 65, seven percent have incomes of at least $50,000, and 14 percent are homeowners.

Among households with net assets of at least $50,000, 14 percent don't save, 13 percent plan only for several months, and 11 percent spend more than their incomes.

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CFAnews is published eight times a year. Annual subscription rate is $25 per year.

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Design & Typeset by: Dahlman/Middour Design

FCC Pursues Anti-Consumer Agenda

On a variety of fronts, the Bush Administration continues to pursue policies that threaten competition and pose harm to consumers of Internet, cable, and telecommunications services.

In May, CFA and other leading consumer and media advocacy organizations filed comments with the Federal Communications Commission (FCC) charging the agency with pursuing an illegal deregulatory agenda that will result in significant harm to competition, consumers, and the Internet.

The comments were filed in response to a seemingly obscure FCC proposal to reclassify Internet Services as an "information service." The result of this one small change, however, would be to allow local phone monopolies to close their networks to broadband Internet competition.

Agency Attempts Backdoor Deregulation

"The FCC is attempting to achieve a backdoor deregulation of telecommunications markets by twisting the language of the Telecommunications Act," said CFA Research Director Mark Cooper. If approved, this proposal "will put a stranglehold on broadband competition," he said.

The proposal is based on an untested theory of "intermodal" competition, which argues that only by tipping the scales sharply in favor of facility owners, at the expense of content suppliers and applications developers, can more facilities be built.

The agency's definition of intermodal competition "amounts to competition without competitors," Cooper said. "It will allow dominant facilities owners to become gatekeepers who have the power to abuse consumers, limit innovation, and stamp out competitors."

"This proceeding is just one element of a broader campaign by the FCC that appears to follow Chairman Powell's agenda of deregulating markets before competition is established instead of after, as prescribed by the Telecommunications Act," Cooper added.

That philosophy is also evident in the FCC's favorable initial response to the proposed merger of AT&T and Comcast, a merger that would create the nation's largest cable company, he said.

CFA and 37 other national and state-level organizations petitioned the FCC in April to reject the proposed merger.

"Cable rates have already increased 43 percent since deregulation began in 1996. This merger would only make matters worse," Cooper said.

"A combined AT&T Comcast would have the power to continue raising prices, limit choice in programming, dictate technology standards and network architecture, and ignore customer service issues, all to the detriment of consumers," he said.

"It should be straight-forward for the FCC to conclude that the merger is not in the public interest and turn it down," he said.

Cross-technology Competition Is Ineffective

On this and related issues, the cable industry and the agency have dismissed concerns about harm to competition by arguing that cross-technology competition from satellite and Digital Subscriber Line (DSL) services is sufficient to discipline cable market power.

In conjunction with their petition filing, CFA and Consumers Union released a study exposing the myth of cross-technology competition in communications markets.

The study shows that the only form of competition that appears to work is head-to-head competition between cable companies. Unfortunately, such competition is virtually non-existent.

Cable operators most likely to face head-to-head competition from satellite charge higher, not lower prices, the study found.

Similar problems exist in the high-speed Internet market, where cable over-prices access and forces most consumers either to give up their current Internet Service Provider to get cable modem service or to pay an additional fee to retain that provider.

"These practices retard potential competition for video entertainment dollars," Cooper said.

On the **Web**
http://www.consumerfed.org/wirelinereleasefinal.pdf
http://www.consumerfed.org/WirelineExec.20020502.pdf
http://www.consumerfed.org/FCCcomments.Wireline.20020503.pdf
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http://www.consumerfed.org/CFA_et_al_ATT-Comcast_testimony.pdf
http://www.consumerfed.org/Intercomp.20020423.pdf
http://www.consumerfed.org/interpressfinal.html
http://www.consumerfed.org/ddivide0502.pdf
http://www.consumerfed.org/DigitalDivideReport.2002.05.30.pdf

Bush Policies Deepen Digital Divide

Relying on a false conclusion that the digital divide is disappearing, the Bush Administration has slated for elimination two key federal programs intended to bridge the divide.

The administration's fiscal year 2003 budget would eliminate the Department of Commerce's Technology Opportunities Program and the Department of Education's Community Technology Center program.

CFA, Consumers Union, and the Civil Rights Forum on Communications Policy released a report in May refuting the Bush Administration conclusion that the digital divide has disappeared.

In fact, approximately 45 percent of Americans do not use the Internet at all. And more higher income households (incomes above $75,000) have broadband at home than lower income households (incomes below $25,000) have narrowband Internet at home.

"Contrary to the Bush Administration's assumptions in the Current Population Survey, the only way we can truly measure the digital divide is by assessing Internet access in the home," said CFA Research Director Mark Cooper. "The home is where most personal business is conducted, and it is where the sharpest divide still exists."

The administration's current policies, aimed at enhancing the price-setting power of cable and phone monopolies, will only worsen the probem, Cooper said, "ensuring that the Internet will not be a mechanism for increasing equality and spreading opportunity, but will be a case of the rich getting richer."

Households Are Wealth-Poor, *continued from page 3*

Within the broad group defined as wealth-poor, the report identifies two distinct types of households — young debtors and the income poor.

Those with negative assets tend to be younger and more highly educated. They tend to have accumulated assets, but have debts that exceed these assets. Repayment of debt should enable these households to increase net assets and build financial security.

In contrast, households with very low assets, rather than negative assets, tend to be less well educated, to have lower incomes, and to have little or no debt. They face greater barriers to wealth-building.

The findings of the report will be used by CFA, NCUF, and CUNA to support such wealth-building initiatives as America Saves and others.

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