CFAnews

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Inside This Issue . . .

CPSC Bans Formaldehyde Insulation

By an overwhelming 4-1 vote, the Consumer Product Safety Commission banned the manufacture and sale of urea formaldehyde foam insulation (UFFI) for residential dwellings and schools on February 22.

The ban came more than a year after it was initially proposed by the Commission, but for consumers it was an important victory despite the numerous delays. Emissions from UFFI produce a wide range of adverse health reactions, and scientific studies have linked the chemical's vapor with cancer in laboratory animals.

"The Commission came under strong industry pressure not to issue a ban," said CFA Product Safety Advisor Anne Averyt. "But they withstood the pressure and acted in the best interests of consumers to remove a harmful product from the marketplace."

Only days before the CPSC ban was finalized, EPA dropped its investigation of formaldehyde, citing the lack of evidence of health hazards. Late last year, OSHA also dropped its investigation into the workplace hazards caused by the chemical. EPA and OSHA are both part of the Executive Branch, under the authority of the White House, while CPSC is an independent agency.

"The Commissioners were able to put politics aside in their decision to ban UFFI because CPSC is independent," Averyt pointed out. "But all that may change if the regulatory reform bill, already passed by the Senate, is approved in the House. That bill makes all the independent agencies answerable to OMB and ultimately to the White House on rule making decisions. The effect will be to place important health and safety issues at the mercy of political considerations."

The UFFI ban is scheduled to go into effect in August, 1982.

1981 Voting Record

CFA Names "Consumer Heroes"

Senator Ted Kennedy and CFA Legislative Director David Greenberg answer questions at a Capitol Hill press conference to announce the results of the 1981 Voting Record. Also in attendance were Senator Claiborne Pell (seated next to Greenberg) and (left to right) Congressmen Michael Barnes, Andy Jacobs, Frank Guarini, Ron Wyden and William Brodhead. CFAnews photo by Anne C. Averyt

The Consumer Federation of America named three Senators and 30 Congressmen as "Consumer Heroes" during the first session of the 97th Congress. Senator Edward Kennedy (D-MA) and Senator Claiborne Pell (D-RI) were present at an April 1 Capitol Hill press conference as CFA Legislative Director David Greenberg announced the findings of the 1981 Voting Record.

Five members of the House of Representatives who earned perfect 100% records also participated; Michael Barnes (D-MD), William Brodhead (D-MI), Frank Guarini (D-NJ), Andy Jacobs (D-IN) and Ron Wyden (D-OR).

"If the term 'hero' means anything, it means holding fast to basic principles even in the most difficult times," Greenberg told the press conference. "That is precisely the appropriate term for these elected officials here today. For at a time when many of their colleagues turned away, these Consumer Heroes held fast against a massive assault on the pocketbooks and fundamental rights of American consumers."

Fourteen votes in the House and Senate were analyzed in the Voting Record on issues ranging from energy and food, to interest rates and taxes. Overall, the Senate rating was 41% and the House rating was 55%, with Democrats outranking Republicans by a 56% to 34% margin in the Senate and a 67% to 37% margin in the House. Freshmen members of both Houses scored approximately 10% below their veteran colleagues.

In the Senate, Kennedy received the highest voting average with 93%. Pell and Chris Dodd (D-CT) followed with 86%. Four Senators were designated "Consumer Zeroes" for not casting even one right vote: Barry Goldwater (R-AZ), James McClure (R-ID), Strom Thurmond (R-SC) and John Tower (R-TX).

Eight House members compiled perfect 100% records, including Tom Downey (D-NY), Henry Nowak (D-NY) and Gerry Studds (D-MA) as well as Barnes, Brodhead, Guarini, Jacobs and Wyden. Four members of the House earned the "Consumer Zero" title.

Subsidies for the Rich, Cutbacks for the Poor

"The Congressional votes we analyzed suggest the 1981 session was not uniform in budget cutbacks and fiscal austerity," Greenberg explained. "Instead, subsidies were given to those least in need and cutbacks were aimed at those already in tight financial circumstances."

"Consumers have paid dearly for these economic policies," Senator Kennedy pointed out, "policies which are economically unsound, unfair and inequitable. Because of them unemployment is rising, and there is a sense of loss and despair in hundreds of thousands of people who see the possibilities of school for their children diminishing, the chance for their parents to live decently diminishing, and even their children's right to immunization being affected."

On the question of federal largesse, a pattern of big business subsidies to be paid for by the American consumer and taxpayer is clearly evident, Greenberg said.

"Both Houses supported a subsidized synthetic fuels plant which will provide owners with 50% of the profit in return for 2% of the costs. And when Congress underwent its quadrennial ritual rewriting of the farm bill, the winners were sugar and tobacco producers while the losers were millions of Americans who will underwrite billions of dollars in direct and indirect subsidies.

Selling Souls

Congressman Jacobs offered an explanation for these votes, noting: "If the PAC organizations contribute to and finance congressional campaigns, then

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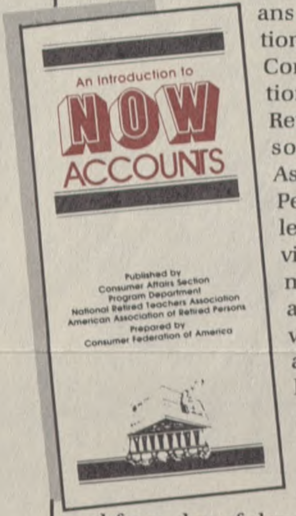
on the BOOK SHELF

Making Sense of Your NOW Account

One effect of recent banking deregulation is an increase in the number of new consumer services including NOW accounts, IRAs, and All Savers Certificates. It is often difficult, however, to separate the promises and the realities of these plans.

CFA has written a pamphlet, An Introduction to NOW Accounts, which answers these questions. Published by the Consumer Affairs Section of the National Retired Teachers Association-American Association of Retired Persons, the pamphlet gives practical advice on choosing the most profitable NOW account. It also warns consumers about some of the less obvious pitfalls associated with NOW accounts, such as whether interest is computed from day of deposit to day of withdrawal or from a low monthly balance. The pamphlet features a checklist for comparing various NOW account plans and a chart designed to estimate the possible interest earned or charges incurred on a hypothetical NOW account.



An Introduction to NOW Accounts *is available without charge from: NOW Accounts, NRTA-AARP, P.O. Box 2400, Long Beach, CA 90801.*

CFAnews

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What To Do If It Doesn't Work

Everybody's Money Complaint Directory for Consumers is a practical, inexpensive, self-help guide for consumers with complaints. It lists the names, addresses, and telephone numbers of chief executives for a wide range of companies; addresses for federal, state and local government agencies; and addresses of state and local consumer groups. The directory also includes addresses and telephone numbers of other organizations designed to help consumers and provides tips on writing an effective complaint letter.

The Complaint Directory for Consumers *can be obtained by writing to Everybody's Money, Dept. CW, Box 431, Madison, WI 53701. The $2.50 price includes postage and handling. Payment must accompany the order.*

Juggling the Books

Business War on the Law by Mark Green and Ralph Waitzman is back in a revised 2nd edition. This 211-page study provides a timely, detailed analysis of the benefits of federal rules, and features a 15-page preface by Ralph Nader examining the Reagan Administration's regulatory policies.

Business War on the Law *is available from: Learning Research Project, P.O. Box 19312, Washington, D.C. 20036. The price is $12.50 and payment must accompany the order.*

CAR BOOK is Back In Gear

Despite attempts by the Reagan Administration to halt the publication of the 1982 edition of The CAR BOOK, consumers can still obtain this valuable handbook. The CAR BOOK, originally published by the National Highway Traffic Safety Administration (NHSTA), rated 1981 model cars according to their safety qualities, gas economy, maintenance, and repair costs. More than 1.6 million Americans requested the original book, but the Reagan Administration, which called the book "anti-industry," decided not to publish a new edition for 1982.

Jack Gillis, who designed and compiled the 1981 edition, resigned from NHTSA over the controversy. "The CAR BOOK is the epitome of Reagan's skewed 'let the consumer decide' approach to the market, and the Administration's decision not to continue its publication is an ironic and tragic affront to free market-place decision making," says Gillis. "The CAR BOOK, for the first time, allows consumers to base their selections on safety and performance rather than color-keyed interiors."

The CAR BOOK for 1982 is being privately published by Gillis and the Center for Auto Safety. This updated edition rates 1982 car models and includes information on child safety seats, 1981 safety recalls, and auto tires not contained in the first edition.

This 80 page book is available in book stores or by writing: The CAR BOOK, *1223 Dupont Circle Building, Washington, D.C. 20036. The $5.70 price includes 3rd class postage and handling; 1st class postage is $6.75.*

— by Kim Fulcher

Legal Services Need Protection

by Bari Schwartz,
Executive Director
Coalition for Legal Services, Inc.

A very real consumer issue is posed by the Reagan Administration's increasing efforts to abolish legal services for the poor, despite strong public support for this program. For the more than 30 million Americans below 125% of the official poverty line, legal services is a source of critical assistance in redressing consumer wrongs, from violations of federal, state, and local credit laws to the unauthorized cut-off of essential energy supplies. However, if the Administration has its way, only those who can afford an attorney will henceforth be assured access to our judicial system.

SPEAK OUT

This will surely prove to be a major test of the Administration's consumer and social policy initiatives.

Administration Target

The Administration sought throughout 1981 to end the legal services effort, contending that the states had ample authority under federal block grants to fund legal services for the poor. Congress, however, repeatedly voted to keep the program alive, although with a 25% reduction in funds. In its FY 83 budget, the Administration has proposed *no* funding (and an abrupt end to funding on March 31 for the rest of FY 82) for the legal services program.

No additional funds would be provided for block grants. Clearly, states cannot be expected to divert scarce block grant funds to legal services from other services. For one thing, much of legal services activity is directed toward illegal action by state and local governments. The Legal Services Corporation was set up in part to insulate legal aid from state and local political pressures.

Battlefront Moves to Capitol Hill

The battle on Capitol Hill will come up this spring in a number of contexts. Congress must now act quickly to extend the Continuing Resolution under which the Corporation is now funded to assure that monies will be available after April 1st. The FY 83 appropriation process is also moving forward; and the reauthorization of the Legal Services Corporation is still pending, though it is uncertain whether it will be addressed by this Congress. Finally, Congress will soon be taking up the nominations of ten new individuals to the Corporation's 11-person board of directors. Nine of these individuals were named to the board as recess appointments by President Reagan. The legality of the appointments is currently under legal challenge, and the commitment to the concept of legal aid to the poor on the part of a number of the nominees is open to serious question.

This subject will surely prove to be a major test of the Administration's consumer and social policy initiatives. It is a matter which deserves the attention and concern of consumer advocates across the country.

ACTION POINT! For more information, contact the Coalition for Legal Services, 1625 K Street, N.W., Room 908, Washington, D.C. 20006.

CFA Board Elected

Ellen Haas, of Community Nutrition Institute, was elected President of CFA at the annual meeting held in January.

Other officers elected at the meeting include: Secretary-Treasurer—Kenneth S. Kovack, United Steelworkers of America; Vice Presidents—Ann Brown, Americans for Democratic Action; Jacob Clayman, National Council of Senior Citizens; Al Luzi, Concerned Consumers League; Bill Matson, Pennsylvania League for Consumer Protection; Arnold Mayer, United Food and Commercial Workers, Int'l.; Alex Radin, American Public Power Assn.; Lee Richardson, Maryland Consumer Citizens Council, and Mark Silbergeld, Consumers Union.

Elected to three-year terms on the Board of Directors were: John Brown, Int'l Union of Operating Engineers; Clyde Chapman, Consumer Affairs Assn.; Vernon Dalton, Wells Rural Electric Co-op; Hildred Drew, United Auto Workers; Jean Ann Fox, Pennsylvania Citizens Consumer Council; Robert Harbrant, Food and Beverage Trades Dept., AFL-CIO; Dan McCurry, Chicago Consumer Coalition; Joseph Hansknecht, Jr., Michigan Credit Union League; Tom Ryan, MoPIRG; Mel Zelenak, American Council on Consumer Interests, and Nell Weekly, Louisiana Consumers League.

Richard Murphy, Service Employees Int'l Union; Tom Nelson, AARP-NRTA, and David Parker, Industrial Union Dept., AFL-CIO were elected to the Board of Directors for two-year terms.

Elected to the Board for one-year terms were: Ruth Kobell, National Farmers Union; Rebecca Lightsey, Texas Consumer Association; Jerry Thompson, Machinists and Aerospace Workers Int'l Union; Joe Tuchinsky, Michigan Citizens Lobby and Tom Krajewski, Cooperative League of the USA.

Basic FTC Powers Under Attack

Two years ago, the Federal Trade Commission emerged from its authorization battle bloodied and beaten, but with its essential legal powers basically intact.

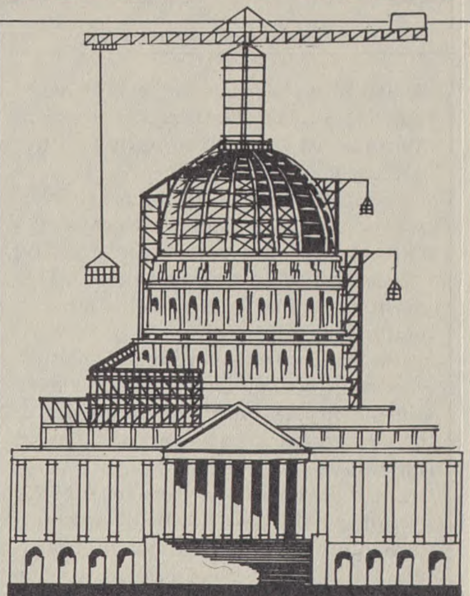
This year, the FTC faces what is shaping up to be another difficult struggle to achieve reauthorization. The business community, led by the Chamber of Commerce and the National Association of Manufacturers, not satisfied with its victories in 1980, has returned to the Congress with a new "wish list" of suggested policy changes. Moreover, the Commission's new Chairman, James Miller, a fervent deregulator, appears more than willing, with a few notable exceptions, to assist these forces in their effort to weaken his agency.

This year, the business community's assault on the FTC is more sophisticated, its proposals more complex, more permanent, and thus, likely to prove more damaging if they are adopted.

Business Groups Take Aim

Traditionally, the Congress has provided regulatory agencies with broad grants of legal authority, allowing those bodies to deal more effectively with the changing commercial practices that are characteristic of a dynamic marketplace. The Chamber, NAM and their allies want to break with that tradition.

They are seeking to sharply limit the Commission's ability to deal with unfair and deceptive practices by permanently changing the language in the FTC's statute. Their changes would require the Commission to adopt a set of formal standards, codified in the law, which would have to be met before the FTC could take action against an unfair or deceptive practice. The Commission would have to prove intent before moving against a deceptive practice, and a cost/benefit analysis would have to be conducted before the FTC could define a practice as unfair or deceptive.



WASHINGTON PERSPECTIVE

The business community, not satisfied with its victories in 1980, has returned to Congress with a new "wish list" of suggested policy changes.

Deadly Impact

The business proposals, couched in legal jargon, are not likely to garner much press attention. They are not easily described, nor can their full effects be predicted with total certainty. However, taken together, the impact of these proposals is clear: it will severely cripple the FTC in its efforts to insure that the public does not fall victim to unfair or deceptive practices in the marketplace.

An agency with a shrinking budget, newly required to conduct cost/benefit tests, will have fewer resources available to enforce the law. Confronted with new and more narrow definitions of its legal power, the agency will inevitably become involved in long and expensive court tests.

More traditional battles also face the FTC. It appears that the agency will again be subject to legislative veto, and, as in 1980, the doctors and dentists, among other groups, are pushing to exempt the professions from FTC regulation, an action which Chairman Miller opposes. Many Members of the Congress have already expressed their support for these measures.

It is not difficult to explain the business community's hostility to the FTC. Throughout the 1970s, under the leadership of both Democrats and Republicans, the agency often showed signs of effectiveness. Without a doubt, this is the main sin in the eyes of a host of special interest lobbies. The sad truth is that the business community would prefer an agency filled with timeservers, bereft of a sense of purpose, as opposed to a Commission staffed with those who take their responsibilities seriously. What else is one to conclude when American business launches such a sustained assault on those powers that have, in the recent past, contributed to the agency's vitality?

Consumer Access to Government Cut Off

By Kim Fulcher, CFAnews Assistant

For public interest groups at the grassroots level, consumer access is becoming more restricted as the regulations designed to support public involvement in the government are crippled by the judicial system and the Administration.

Public participation reimbursement programs provide the only opportunity for many groups outside Washington to appear at government hearings. The reimbursement programs, sponsored by a majority of the regulatory agencies in recent years, provided funds to cover expenses such as reasonable attorney's fees, travel, studies, demonstrations, and other fees necessary for individuals or organizations to participate in rule making proceedings.

On November 27, 1981, the United States Court of Appeals for the fourth Circuit removed this avenue of access for consumers. The Court held that only reimbursement programs specifically enacted by Congress are legal. Although the ruling was specifically aimed at the Food and Drug Administration, other regulatory agencies, fearing similar lawsuits, have dropped their public participation reimbursement programs.

Another debilitating blow to consumer access can be found in the 1983 budget. Hidden away among the cuts in welfare and social programs is a proposal to drastically reduce the legal fees paid to private attorneys, particularly public interest lawyers, who successfully sue the government.

Presently, over 100 laws governing the activities of a variety of federal agencies provide for the payment of reasonable attorney's fees as a way of encouraging private enforcement of Federal statutes. The Reagan proposal, at its extreme, could conceivably reduce fees from more than $100 per hour to as little as $20 to $30 an hour.

"Acceptance of this proposal would effectively limit the enforcement of important regulations in such areas as consumer protection, the environment, and job discrimination," said Nan Aron, Executive Director of the Alliance for Justice, an association of public interest lawyers.

"Taken together, the loss of these programs will have a tremendous impact on the ability of consumers to have a say in the laws that are being written or to challenge unfair laws that are already on the books," added CFA Legislative Director David Greenberg. "Once again the special interests have won out. Because their pockets are full, they can influence Washington while the door is shut for those groups who represent the broader public interest."

Consumer Reps Needed

FDA's Consumer Particiapnt Clearinghouse wants to know about consumers who are actively involved in health issues, especially drugs and medical devices.

The FDA's Consumer Consortium will meet in June to consider applicants for the following committees: Science Advisory Board to the National Center for Toxicological Research; Cardiovascular and Renal Drugs: Oncological Drugs; Anesthetic and Life Support, and Psychopharmacologic Drugs.

The following committees of the Device Panel also have openings for a consumer representative: Hematology Section; Circulatory Systems; General Hospital and Personal use Section; Dental Section; Immunology Section, and Microbiology Section.

If you are interested contact: Linda Smith, Consumer Participant Clearinghouse, CNI, 1146 19th St., NW, Washington, DC 20036 or office of Consumer Affairs, FDA 5600 Fishers Lane, Rockville, MD 20857.

Bill Proposed to Limit CWIP Rates

CFA Executive Director Stephen Brobeck speaks at a press conference announcing the introduction of Representative Tom Harkin's bill that would limit the Federal Energy Regulatory Commission's power to allow electric utilities prebilling for the costs of construction works in progress (CWIP). Participants were (l-r) Alex Radin, Executive Director, American Public Power Association; Representative Sam Gejdenson (D-CT); Representative Harkin (D-IA); Brobeck, and Robert Partridge, Executive Vice President, National Rural Electric Cooperative Association.

Photo courtesy of APPA

New CFA Study Links Mergers and High Interest Rates

A recently released study written by CFA's Executive Director Stephen Brobeck for the National Council for Low Interest Rates explains how rising merger activity has driven up interest rates and restricted the availability of credit.

The report presents evidence of a tremendous increase in merger activity over the past seven years to levels substantially greater than those during the merger boom of the late 1960s.

CONSIDERATION PAID FOR ACQUISITIONS

(Billions of Dollars)

1981	82.6
1980	44.3
1979	43.5
1978	34.2
1977	21.9
1976	20.0
1975	11.8

Source: W. T. Grimm & Co.

Many of these acquisitions have been financed with bank loans, estimated at \$30-38 billion in 1982. But the study explains that merger activity tied up even more credit through loan commitments by banks to companies contemplating or seeking to prevent acquisitions. The type of loan commitment most frequently drawn on to finance mergers, revolving credits to commercial and industrial firms, rose more than 100% between January 1980 and January 1982.

Although companies like Mobil and Texaco had little success acquiring big companies, they and other oil companies tied up at least \$37 billion in loan commitments last year. Mobil, for example, took \$6 billion, Texaco \$5.5 billion, Gulf \$5 billion, Marathon \$5 billion, and Cities Service \$4 billion. Because banks are legally obligated to honor these commitments, in tight money periods they are forced to restrict their loans by raising rates rather than by rationing credit.

Both the loans and loan commitments were usually made by consortia of banks, sometimes as many as 30, that typically offered the option of a London Interbank Rate (LIBOR) ranging from 0-5 percentage points below prime in 1981. They also were made for several years, typically four to six, though borrowers often have the option of paying off the loan early.

The study suggests that merger-related credit demand, along with the Fed's tight money policy and the growing corporate and government demand for credit to refinance old debt, are the main reasons for high rates and scarce credit. If future expectations of inflation were as important as many argue, then short-term rates would not be so high—ten percentage points over the inflation rate last year.

The report also hypothesizes that the friendlier attitude of the Administration to mergers and the pessimism of business men about economic prospects, help account for the huge increases in merger activity. In a recessionery period, companies often see acquisitions as a more attractive investment than plant expansion or equipment modernization.

The National Council for Low Interest Rates was organized last fall to oppose the high interest rate policy of the Fed and the Administration. Along with CFA, the Coalition includes groups such as the Industrial Union Department, AFL-CIO; the National Farmers Union, the American Public Power Association, the NAACP, and the International Union of Operating Engineers.

Copies of the study are available for \$10 (free to CFA member groups) by writing to CFA.

Votes

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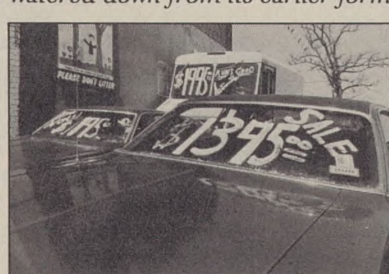
the vote tallies are predictable. But if there is consumer financing, then candidates for Congress can do as was suggested by a *Newsweek* magazine reader a few years ago, and sell their ideas, not their souls."

Greenberg called on consumers to put the 1981 Voting Record information to use and ask pointed questions of the candidates as November 1982 draws near. "In constructing a sturdy safety net for those who need it least, the 1981 session of Congress contained few victories for consumers. That trend need not repeat itself, however, if consumers make their demands known at the polls next fall," he said.

Used Car Rule Threatened

The FTC's beleaguered used car rule may well fall victim to a concerted industry attack by the end of the month. Car dealers and their trade association representatives have been putting strong pressure on Congress to exercise its veto power and nullify the rule. Arguing that the rule is onerous, unfair and unworkable, the industry has also been pouring hundreds of thousands of PAC dollars into the campaign coffers of Members of Congress to insure the Members heed their arguments.

The used car rule was adopted by the FTC last year after numerous revisions. Although considerably watered-down from its earlier form, the rule would require dealers to post one-page stickers on used cars to tell consumers any known major defects as well the warranty terms they offer. For consumers, used car purchases represent a major expense, averaging \$4,000 per car. Yearly, consumers spend nearly \$40 billion to purchase used cars.



CFAnews photo by Anne C. Averyt

The rule grew out of lengthy investigations by the FTC which revealed dealers all too often misrepresented the mechanical condition of used cars at the time of sale. Earlier versions of the rule would have also required mandatory inspections of used cars prior to sale.

Senator Robert Packwood (D-OR) prevented a certain veto of the used car rule late last year, but opponents of the measure are remounting their efforts and a veto of the rule has already been passed by the Senate Commerce Committee. A veto of the rule must be passed by both Houses of Congress before the end of April or the rule will stand. Consumers should express their support for the bill to their Congressmen immediately.

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