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Consumer News

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Auto Safety in 1990's

Passive restraint systems and side-impact crash test data are quickly joining reliability, gas mileage, performance, and styling as concerns for American car buyers. "All I know is, it's really a selling point for me," said Randy Sheppard, a Chrysler salesman from Philadelphia who credits an air bag with saving his life. For the first time in 1990, air bags are standard equipment on millions of cars. Federal regulations mandate that all 1990 model cars have either a driver-side air bag or automatic seatbelts. Automakers have increasingly chosen air bags, despite the greater cost, because they believe automatic seatbelts annoy many consumers.

About three million cars on American roads are equipped with air bags, according to Chuck Hurley of the Insurance Institute for Highway Safety. Officials at the National Highway Traffic Safety Administration ("NHTSA") estimate the number will grow to 15 million by 1993. Insurance companies have been fighting to make air bags standard equipment for over a decade. They reward policy holders who own air bag equipped cars with discounts of \$15 to \$50 a year.

The increased safety offered by air bags was recently documented in NHTSA frontal collision crash tests of 1990 models. In two Chrysler models that offer driver side air bags as standard equipment, front seat passengers wearing safety belts were four to seven times more likely to suffer head and chest injuries than drivers protected by air bags and seatbelts. Each year, an average of 22,000 people die in car crashes and 300,000 suffer serious injury. According to the Center for Auto Safety, if all cars had air bags and everyone used a lap-and-shoulder harness, 12,000 lives could be saved and 200,000 serious injuries could be prevented annually.

Frontal collision occupant protection is not the only area where safety advances are being made. According to NHTSA officials, an average of 8,000 people are killed and 24,000 are seriously injured each year in side-impact crashes, the second leading cause of highway injuries after head-on collisions. The Department of Transportation recently announced a new regulation which requires automakers to strengthen car interiors with structural changes or more door padding. The new rule is intended to decrease hip and chest injuries in accidents. It should prevent more than 500 deaths and 2,600 injuries each year in side-impact collisions. According to NHTSA estimates, up to one-third of cars on the road already meet the new rule. Automakers support the new standards, which will begin a four-year phase-in schedule in 1993.

Consumer Fraud Invades Long-Distance Telephone Service

Reacting to a growing new form of consumer fraud, the Federal Communication Commission ("FCC") recently issued a warning to the public about unauthorized switching of a customer's long-distance telephone company. The practice is known in the industry as "slamming." It occurs when one long-distance company changes a customer to its service without the customer's permission. Consumer complaints about slamming have increased dramatically in the past two years. Bell Atlantic, the regional telephone company for the Mid-Atlantic states, expects to receive about 80,000 complaints this year, up from 18,000 in 1988.

"No one has the right to switch you to a company you don't want," said the FCC in a recent statement. According to the agency, "unauthorized switching sometimes hap-

pens as a result of unfair sales tactics." Slamming began as a result of the heightened competition in the long-distance market, a \$50 billion-a-year industry. To foster competition after the 1984 break-up of AT&T's monopoly, federal regulators decided that the new long-distance companies would need only oral permission from customers to change their carrier. The long-distance company would then order the local or regional phone company to make the technical switching necessary. Federal regulations require that the long-distance companies follow up by sending forms, but the change can be made legally even if consumers never return the forms.

Consumers complain increasingly that their long-distance companies were switched, even though they rejected repeated telemarketing sales pitches. Appearing before the House Government Information Subcommittee in October, Louise Simmons, a school teacher from West Virginia, testified she refused offers from MCI telemarketers who called every two months for almost three years. In early 1990, she found she had been switched to MCI. "I wish telemarketing would be abolished altogether," she said, blaming the problem on aggressive promotional campaigns by the three major long-distance companies.

AT&T, MCI and Sprint all have been accused of slamming. MCI, the nation's second-largest long-distance carrier, received the most complaints. MCI executive vice president Eugene Eidenberg conceded that mistakes by the company's sales representatives occur, but he denied that his company deliberately engages in slamming. In an interview with the Washington Post, he said, "[i]t's not MCI's policy nor in our business interest for customers to be moved without their permission. There are not enough short-term revenues to justify the practice."

The FCC and legislators contin-

ue to examine plans to solve the problem. AT&T proposes that all long-distance companies be required to obtain written approval from customers before notifying local phone companies of the change. MCI instead suggests tighter controls on telemarketing and free switch-back for customers moved without authorization.

The Check Printing Battle

At one time, banks furnished checks to customers free, but now banks commonly charge from \$10 to \$15 for 200 checks, a markup of twenty-five to forty percent over printing costs. A battle for control of the profitable check printing industry is developing between banks and independent printing companies. Fifty-five billion checks are used in the United States each year, accounting for \$1 billion in revenues annually. Consumers, not the banks or printers, stand to benefit the most from this battle.

Independent printers currently offer to sell checks directly to consumers for as little as one third the price of typical checks printed by banks. In response, banks claim that cheap checks may foul their automatic check processing machines and warn customers, who share account information with third-party printers, to be cautious. "There is a lot of fraudulent activity out there. You may end up saving a few dollars here, but in the long run, you could really end up jeopardizing your whole account," said William A. Miller, Director of the Operations and Automation Division of the American Bankers Association.

Stephen J. Brobeck, head of the Consumer Federation of America, disagrees with the banking group's contentions. In an interview with the *New York Times*, Brobeck said that banks contract out their check printing business to the lowest bidder. He said in many cases, "they are using the very same firms." He added that banks also provide account numbers and other customer information to printers.

The banking industry sets its own standards for checks, and

check printing is not regulated by the federal government. Consequently, consumers are not required to buy checks from their banks, but a bank may still demand that customers buy checks from them as a condition of opening an account.

California's "Big Green" Defeated

Consumers recently got a break on future food bills when California voters defeated The California Environmental Protection Act, commonly known as "Big Green," by nearly a two-to-one margin. Proposition 128 was the most sweeping environmental law ever put before voters in any state. The 16,000-word initiative would have put restrictions on carbon dioxide emissions, offshore oil drilling and logging. The initiative's pesticide regulations, which would have phased out the use of a dozen agricultural pesticides thought to increase the likelihood of cancer, may have had the greatest national impact. Opponents of Big Green in California's \$18 billion agricultural industry claimed that restricting pesticide use would have decreased production of fruits and vegetables by forty percent and increased food prices by about fifty percent. Proponents of the initiative countered that in the long run, Big Green would save money by lowering the incidence of health problems through a cleaner environment.

Agricultural representatives expressed relief by the defeat of Big Green, but according to Patrick Sanquinetti, President of the fruit growers' cooperative Blue Anchor Inc., producers are not gloating. "We are well aware of what our customers are asking," he said. "We'd love to be able to reduce pesticide use. We're just looking for a common sense way."

A chief sponsor of the initiative, California Assemblyman Tom Hayden, blamed the defeat on a general voter reaction against all initiatives. "I don't think of it as a rejection of Big Green. The ideas of Big Green will continue," Hayden said.

The Energized Consumer Product Safety Commission

After nearly a decade of limited activity, the U.S. Consumer Product Safety Commission ("CPSC") entered the 1990's by stepping up its fight against hazardous products. "We've been extremely busy, very active. We're working very hard," said Jacqueline Jones-Smith, the Commission's new chairwoman. A Democrat, Jones-Smith was appointed to the position in October 1989 by President George Bush for a seven-year term. She said that in the first half of 1990, the commission reached nearly 50 agreements with manufacturers to repair or modify products with safety hazards.

An active CPSC reflects a change from the Reagan years when the CPSC staff was cut from 900 to 500 under the direction of its deregulation-minded chairman Terrence Scanlon. According to Pamela Gilbert of the consumer watchdog group Public Citizen, Scanlon "did not believe in the mission of the agency, which was consumer-oriented. It was the fox guarding the chicken coop."

Anne Graham, a current commissioner who also served during the Reagan Administration, disagrees. "I don't think President Reagan was anti-consumer," she said. "I think the makeup was zealously deregulatory, and I think the pendulum is swinging back."

Despite the budget climate in Washington, funding for the CPSC was recently secured for the next two fiscal years. Congress allocated \$42 million for fiscal 1991 and \$45 million for fiscal 1992, reflecting slight increases over present funding levels.

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