

**COMMENTS OF
JIM GUEST, PRESIDENT
CONSUMERS UNION OF THE U.S.
10TH ANNUAL MEETING
TRANSATLANTIC CONSUMER DIALOGUE
BRUSSELS, JUNE 9, 2009**

It's a great privilege and pleasure to be here today on what is a truly momentous occasion – the 10th annual meeting of the Transatlantic Consumer Dialogue marking the 10th anniversary of TACD. What was a hope and a dream 10 years ago for a handful of visionaries in Europe and the United States has become an important, constructive, and influential resource for policymakers on both sides of the Atlantic.

Three of the founders are here today, current TACD Chair Benedicte Federspeil and Ed Mierzwinski of US PIRG. Another founder, my predecessor as President of Consumers Union, Rhoda Karpatkin, was here for meetings earlier this week. Along with a number of other consumer leaders, and especially with Tony Van Der Hagen who was then at the European Commission, who also is here today, they laid the groundwork for what has become this remarkable and tremendously valuable institution.

As a key consumer voice today, the TACD plays the vital role of bringing consumer views and perspectives into the deliberations of the governments of the US and the EU as they address important transatlantic issues. The organizations represented by my colleagues here in this room and elsewhere are powerful spokespersons for citizen-consumers -- serving as both conduits and shapers of consumer opinion. They – we – are critical forces in tipping the balance of the marketplace in favor of the consumer interest. We achieve this by pushing for passage of systemic consumer protection reforms and empowering consumers to protect themselves.

TACD has brought together nearly 80 European and US consumer groups in this important work. My own organization, Consumers Union, is a testing, research, publishing, and advocacy organization founded in 1936 during the Great Depression as a powerful antidote to misleading advertising, corporate abuse, and government neglect back then of consumer interests and needs.

More than seven decades later, Consumers Union stands strong with over 8 million subscribers to *Consumer Reports* magazine, our Web site, our health and finance newsletters, and more. Like the consumer organizations here in Europe, we test products, and publish the results. And like the European groups, we also advocate before government bodies for the consumer interest. Most recently, in partnership with other

consumer organizations in the U.S. – including those active in TACD – we mobilized more than 750,000 online and on-the-ground activists in successful fights for new drug safety, product safety, auto safety, and credit-card reform laws.

Consumer organizations here in Europe are equally effective both in informing consumers about which products and services are best, and in advocating for the consumer interest. I traveled in Belgium for a few days before this TACD meeting. Every single person I asked knows, admires, and praises Test Achats. Next door in the Netherlands, Consumentenbond counts 8 percent of that country's citizens as members and the majority of households as users. I could go country by country. Throughout the EU, consumer organizations are ever stronger and stronger, standing up for consumers and speaking on their behalf.

Because all of us are non-profit organizations that do not accept advertising or other business support, and hold ourselves to the highest standards of accuracy and integrity, we enjoy an extremely high degree of trust and respect from the public. In the US, almost 9 out of 10 persons has heard of *Consumer Reports*, and both this year and last the respected Harris Research survey found that of the major non-profit organizations who advocate in Washington, *Consumer Reports* ranks #1 as the most trusted - by 92% of the public. I know our European counterparts are similarly well-known and highly trusted.

Policymakers know that, too. The leaders of the EU and the US governments would be wise indeed to give the highest possible influence to TACD recommendations – recommendations that reflect the needs and concern of the citizens the governments represent.

On this 10th anniversary of TACD, governments and consumer leaders find ourselves at a unique point in history. We have a new President in the United States who is a strong supporter of consumer protections and a strong supporter of working in partnership internationally. In Europe, many of those just elected to the EU Parliament are also committed to a strong agenda of consumer protection. There is an opportunity for progress for consumers in the weeks, months, and next few years that must not be missed.

I want to focus briefly on just three of the areas where TACD has made and can make a big difference—financial services, food safety, and direct-to-consumer drug advertising.

There is broad acknowledgement that today's dismal economic crisis was the failure of governments to effectively regulate financial institutions. In particular, they failed to insist on adequate consumer protections in the making of mortgage loans. Millions of consumers were encouraged to take out loans when it was highly unlikely they would be able to repay them - simply so that originators of the loans -- the mortgage companies and banks -- could earn large fees. Others in the financial services sector made quick money by repackaging the loans and selling them to other investors.

Now the entire house of cards has collapsed and all of us – consumers and governments alike - are paying the price. Those who took out unaffordable mortgages are being forced

out of their homes; retirees and workers alike have seen their retirement savings cut in half; consumer spending is down; business is way down; people are losing their jobs.

The US and Europe are in this together. When banks slump or fail in the United States, it has a disastrous ripple effect in Europe, and the opposite happens as well. The governments of the EU and US are talking about reining in this kind of exploitation of ordinary consumers, because in the end it damages everyone. We're glad they're talking.

And as they talk – as badly needed financial regulatory policies are developed – who better to advise on how to protect consumers than the very organizations joined together through TACD? The governments of the EU and US would be well-served to closely heed TACD's advice on financial regulation. TACD has eleven detailed and specific recommendations on what our governments should undertake in the area of financial services reform. They're all important. I'll mention just one.

Governments should never give up their responsibility for protecting consumers and the marketplace from unfair and deceptive practices by merely relying on the failed practice of so-called “consumer choice” through disclosure requirements. In a complex world filled with complicated and confusing financial credit instruments, regulation by “disclosure” is no regulation at all.

Mortgages and loans that are offered should be fundamentally fair and easy to understand. Credit card companies should not be allowed to get away with usurious lending rates and other anti-consumer practices by using the excuse that the practices were disclosed in fine print somewhere. Loans should not contain “gotchas” designed to trick consumers into taking on debt they cannot manage.

Disclosure can play a complementary role in the regulatory scheme. But there should be standards for disclosure, too. They should focus on the key features of the financial product or contract. They should be offered in a short, structured, and universally uniform format that ordinary people can understand. Most importantly, disclosures should be a supplement to, not a substitute for, effective regulation against harmful, anti-consumer financial products and practices.

Let me briefly mention two other areas where we in the consumer community urge our governments to adopt best practices rather than sink to the lowest common denominator. One area is food safety.

By way of example, in recent years the US government has tried hard to persuade the EU to accept exports of US chicken. Three years ago, however, my organization, Consumers Union, conducted a nationwide test of US chicken and found that approximately 80 percent carried either salmonella or another disease-causing organism called campylobacter. The contamination rates in many European countries are significantly lower. Rather than trying to force US chicken on a reluctant EU, we think it would be much more productive for the two governments to collaborate on reducing contamination rates in both regions, and then, but only then, open up trade in these products.

I might add that *Consumer Reports* magazine has an update of this testing project under way, and we will see in six months or so whether the situation in the US has improved.

I use the example of chicken to counter the claim made time and again in recent years that consumer protection measures are simply barriers to trade. I believe the time has arrived when policymakers realize that reasonable and effective consumer protection measures are of value not only to individual citizens, they are the foundation of stable economies and fair trade.

The other issue I want to mention is the matter of whether or not to allow multinational drug companies to conduct direct to consumer advertising in Europe. As you know, direct to consumer drug ads are allowed in the United States, but remain illegal in Europe.

As someone who has seen the impact of direct-to-consumer advertising both as a private citizen assaulted by endless TV and magazine ads and as a consumer leader who believes policymakers can learn from the mistakes of others, I urge you in Europe not to reverse your long-time, pro-consumer position on this issue.

The sad truth is that in the US we have seen too many high-profile ads promoting drugs that turned out to be of questionable effectiveness or safety relative to other drugs or where there are less expensive, equally effective alternatives.

A Consumers Union poll in February last year found that among consumers who have taken a prescription drug, one in six (16 percent) had experienced a serious drug side effect at some point. Eight in 10 said they had seen or heard an advertisement for prescription drugs within the past 30 days. Among them, virtually all – 98 percent – had viewed an ad on television.

Spending on direct-to-consumer advertising in the U.S. has soared since 1997 when the Food and Drug Administration relaxed rules on drug ads to the public. Spending on such ads by drug companies has topped \$10 billion in recent years.

We are so concerned at Consumers Union about this insidious practice that we have launched a video project called “Ad-watch” where we dissect and expose the anti-consumer flaws in ads of some of the most heavily promoted drugs. We’ve already taken on the smoking-cessation drug, Chantix, the osteoporosis drug, Boniva, and the sleeping pill, Rozerem.

The bottom line is that before opening up this Pandora’s box, you should be aware of the far-reaching consequences. I urge, for the benefit of your citizens, constituents and consumers, don’t do it.

In closing, I’d like to return to the opportunities before us. From my side of the Atlantic, we have a new Administration in the United States which is far more interested in

consumer issues than the previous one. President Obama has made strong appointments to consumer regulatory agencies. His administration seeks out the advice of consumer groups like those who participate in TACD.

The President has strongly supported pro-consumer measures like the credit card legislation I mentioned and strengthening the Food and Drug Administration, the Consumer Product Safety Commission, and other agencies. Consumers Union and other groups are now pushing for a separate consumer advisor, reporting directly to the President, as used to be the case.

No one could have dreamed 10 years ago how important and valuable TACD would become. The EU, along with several foundations, saw the value and has funded it with crucial support. We thank the EU, and hope it will consider returning to an increased level of support to take advantage of the current opportunities for progress. We also hope the US government once again will consider restoring its funding.

Beyond the funding, we thank the two governments as well for their positive response and action on some of TACD's recommendations over the years and for the increased responsiveness and action we anticipate with pro-consumer governments now on both sides of the Atlantic.

So Happy Anniversary, TACD. We consumer leaders look forward to working together – with each other, and with our governments – to turn today's opportunity into tomorrow's reality.

Thank you very much.