

Consumer Group Becomes Feared Force

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By Thomas Elias



Nobody elected Harvey Rosenfield or Doug Heller or Jamie Court. But on pocketbook issues from insurance rates to electricity policy and health care, their Foundation for Taxpayer and Consumer Rights has now emerged as one of the most significant players in California.

The leading companies in those businesses have known the foundation as a formidable force ever since Rosenfield wrote the 1998 Proposition 103, which passed by a solid margin and rolled back insurance rates, at the same time making the state insurance commissioner an elected official and not an appointee of the governor.

But its influence reached new levels this spring as the foundation put public officials at all lev-

els on notice it will hold them strictly to the conflict of interest standards set in state law. That was the wider meaning when a foundation lawsuit produced a court order removing a seven-year veteran from the state Public Utilities commission, which regulates prices for electricity and natural gas, while also making key decisions on the telephone industry.

Infuriated by the fact that Republican holdover Henry Duque held stock in Nextel Communications, a wireless phone company partially regulated by the PUC, the foundation sued to remove him. San Francisco Superior Court Judge Alfred Chiantelli found Duque, whose term ordinarily would run out at year's end, voted five times on Nextel-related issues before unloading his stock at an alleged profit of

said Rosenfield, the foundation president. "This was a unique situation where Duque held a financial interest in a company he regulated. But I'll say this: We will go after anyone who breaks the law in the areas we're interested in."

So now politicians have been given the same notice Rosenfield long ago served on major companies. In fact, the influence of Court, Heller and Rosenfield has become so pervasive in many areas of government that people often don't use Rosenfield's last name, but merely ask, "What's Harvey doing on this?"

Only the long-term results will eventually tell whether this kind of influence in the hands of an unelected lawyer and his consumer advocate associates is good or bad for California.

So far, the foundation's stances

about \$69,000. Only one of those votes was cast against the company's interests.

"We're not really threatening anyone else,"

have mostly proven correct. Insurance companies said they'd be forced to leave the state if Proposition 103 passed. None did. Power companies said it would be a disaster if voters passed the foundation's 1998 Proposition 9, aimed at rolling back electricity deregulation. The opposite happened. Voters did not pass Proposition 9 and disaster followed.

Hospitals said they'd go broke if they had to increase the numbers of registered nurses they hire. Largely at the foundation's prodding, the state now has a law setting hospital staffing standards, and the jury is still out on whether this will hurt hospitals. For sure, it has helped accelerate the trend toward chain ownership of health care facilities.

That's only a partial list, but it shows the clout that can be achieved on a small budget. The foundation's annual payroll and expenses run to about \$500,000 — far less than salaries paid to CEOs of many companies it battles. "We litigate, we lobby and we organize the public to be active on the issues we care about," Rosenfield said. "You

don't need all that much money; you need dedicated people."

While Duque immediately appealed his ouster from the PUC, saying he had instructed his investment broker never to buy stock in companies he regulated, the court ruling was not lost on anyone in major public office. "I think people might be a little more careful about their investments in the future," said Arnold Steinberg, a Republican political consultant.

Rosenfield denies the decision gives him any personal power. "I think this will frighten people, but only if they're breaking the law," he said.

But this marks the first time any consumer group has ever succeeded so directly in ridding state government of an official it regards as a steady opponent.

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