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Tues - 4:00 pm. A

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INDEX TO CONSUMER MESSAGE OPTIONS

- I. CONSUMER REPRESENTATION PROGRAM
 - I-A Consumer Representation Act of 1975
 - I-B Departmental and Agency "Office of Consumer Representation"
 - I-C Office of Consumer Affairs Restructuring
 - I-D Consumer Benefit Analysis

- II. CONSUMER/REGULATORY REFORM PROPOSALS
 - II-A Regulatory Reform Commission
 - II-B Surface Transportation Reform
 - II-C Air Transportation Reform
 - II-D Financial Institutions Act
 - II-E Reform of Robinson-Patman Act
 - II-F Flexibility in Food Standards
 - II-G Conference on State-Local Regulatory Reform
 - II-H Support for Special Senate Committee on Regulatory Reform
 - II-J Streamlined Hearing Procedures under FFDC Act



III. CONSUMER LEGISLATIVE INITIATIVES

- III-A Repeal of Fair Trade Laws
- III-B Prohibit Pyramid Sales
- III-C Decision on Federal No-Fault
- III-D Review of Antitrust Immunities
- III-E Announce Intention to Veto Bills Raising Consumer Prices
- III-F Changes in Federal Reporting Act and Federal Register
- III-G Remove Impediments to Advertising Prices of Prescription Drugs
- III-H National Appliance and Motor Vehicle Labeling Act
- III-J Support Drug Identification Act
- III-K Medical Services Legislation
- III-L Consumer Product Test Methods Act

IV. CONSUMER (NON-LEGISLATIVE) INITIATIVES

- IV-A Improved Quality Grading Systems
- IV-B Improved System for Disseminating Product Recall and Hazard Information and Follow-Up



I. CONSUMER
REPRESENTATION
PROGRAM

Consumer Message Option I-A

Proposal: Consumer Representation Act of 1975

This would be Administration legislation which would combine many of the features of Office of Consumer Affairs expansion and creation of Consumer Representation units within Federal Departments.

Title I would create an Office of Consumer Affairs within the Executive Office of the President. This Office will have responsibility for coordinating the activities of the individual consumer representation offices each agency would be required to establish by Title II. The Office will continue to fulfill the functions already assigned by Executive Order No. 11583 and would also perform the functions assigned to the President's Committee on Consumer Interests in Executive Order No. 11566 of October 26, 1970.

Title II would establish within each federal agency an office of consumer representation. Each office would be authorized to represent consumer interests that may be affected by agency action, either by representing an interest of consumers as an advocate in a proceeding, or by submitting views, or by requesting that agency to prepare a consumer impact evaluation. The choice of which way to proceed is left generally to the Office's discretion.

This new approach is designed to create far greater flexibility in the choice of suitable means to represent consumers. At the same time, this new flexibility is offered within the framework of existing agency structures. Because each office is a part of the agency itself, it will have full access to all of the information and necessary expertise needed to insure that attention is focused upon consumer needs. It may use this information to call for and help develop consumer impact statements as part of OMB's Inflationary Impact Statements. If suitable, the office may choose a party advocate's role in proceedings or other advocacy before the agency, but without engendering the excess of internecine struggles between agencies (as under the Consumer Protection Agency proposal). Yet the Title still makes it possible for the office to appear in court in appropriate proceedings.

Pro: Such legislation seeks to provide a new approach to balanced, realistic and effective federal protection for consumer interest by assuring consumers a voice in government without creating a massive, expensive, and potentially disruptive and uncontrollable new bureaucracy. This Act would provide the President with significant public and political credit, establish for him a lead consumer position and provide our allies with a positive consumer bill to support. The Act would also provide excellent leverage for vetoing undesirable CPA legislation.

Con: New spending initiatives would be entailed.

Cost:

Decision: _____ Pro: (Favored by: Baroody, Knauer

_____ Con: (Favored by:

_____ Hold for future study and consideration
(Favored by:

Consumer Message Option I-B

Proposal: Statutory establishment of an Office of Consumer Representation within the various independent agencies and Executive branch departments. (This could be done via Executive order within the departments). This could either stand as a separate proposal or become part of the Consumer Representation Act of 1975.

The existing Office of Consumer Advocate within the Civil Aeronautics Board could be used as a model. The CAB's Consumer Advocate has the authority to participate in agency proceedings in the same manner and to the same extent, subject to the same requirements and limitations, as a private party. Each Office of Consumer Representation would have that authority granted it by agency regulations. The head of each agency would have ultimate responsibility for determining the role of the Consumer Advocate in light of the underlying functions of the particular agency involved.

Although some of the federal agencies and departments have offices charged with handling consumer complaints, the major shortcomings are the complete absence of a consumer representation unit in most agencies and departments, and the inadequate staff resources in those offices already in existence. These offices would cooperate and coordinate with the various operating units within its department or agency and would be responsible for insuring that consumer benefit data be considered by its respective agency in its decision making process. For this Administration initiative to be received as a credible and viable alternative to CPA, it would be designed to operate in coordination with the enhanced Office of Consumer Affairs operation.

Pro: The establishment of various individual Offices of Consumer Representation, which would be reasonable in size, substantially accomplished within existing resources and especially if packaged with an enlarged, amicus OCA, would provide the Administration with a viable and substantive alternative to CPA. It would provide visible proof of the President's commitment to consumer representation within the governmental process.

Con: An increased staff necessary to accomplish the objectives of the separate offices would require sizeable spending initiatives.

Statutory establishment of an Office of Consumer
Representation within the various independent agencies
and Executive branch departments.

Cost:

Decision: _____ Pro:

(Favored by: Knauer & Baroody as part of
Consumer Representation Act of 1975).

_____ Con:

(Favored by:

_____ Hold for future study and consideration

(Favored by:

Consumer Message Option I-C

Proposal: Statutory establishment of an Office of Consumer Affairs within the Executive Office of the President

This office is to be headed by a Director appointed by the President.

Generally, the Director of the Office of Consumer Affairs would perform most of the amicus type functions outlined in the Brown Bill - (H. R. 13810) - and have the same functions as spelled out in Executive Orders 11583 & 11566. A primary function of the Office would be to publish and widely distribute a Consumer Register to inform consumers of Federal activities of interest to them in language which is readily understandable to the layman. The Office would also have the responsibility of transmitting consumer complaints to the appropriate agencies within the Federal government.

As an interim initiative, the President via Executive Order would expand the present Office of Consumer Affairs. Such an expansion could entail a staff increase of about 35 (most of whom would be lawyers, economists and support personnel) and transfer the Consumer Product Information Center from GSA to OCA. The budget of such a combined and expanded operation would be about \$4 million--only 40% of the proposed CPA and \$2.5 million of which is already in the FY'75 budget. Therefore, such an action would entail only a \$1.5 million FY'76 budget increase.

This augmentation of OCA could be done quickly in recognition of the importance of consumer representation to the Ford Administration.

Pro: Virginia Knauer's office presently comments and occasionally testifies on certain proposed regulations and legislation. However, her resources are thin, particularly in light of her other responsibilities on the Energy Resources Council and the Council on Wage and Price Stability as well as in such Office of Consumer Affairs program areas as consumer complaint handling, consumer education and stimulating voluntary business-consumer initiatives that she cannot make the broad, visible and substantive impact necessary in this area.

Such an expansion would not only permit OCA to more effectively carry out its duties but would also provide visible proof of the President's pro-consumer commitment, and provide extensive leverage for legislative negotiations as well as a formidable justification for vetoing overreaching legislation, especially in conjunction with the other agency offices.

This program would obtain for the President significant public and political credit. This option would be strongly supported by Mrs. Knauer and many consumerists. As a substitute for CPA legislation it would command strong business support as well.

Con: This would be a new spending program. It is questionable whether such a step (especially taken in isolation) would thwart Congressional appetites for a CPA. In addition, Congress could make undesirable changes in the proposed legislation.

Cost: \$1.5 million

Decision: _____ Pro:

(Favored by: Knauer, Baroody--in conjunction with the individual agency offices preferably as part of the Consumer Representation Act of 1975.

_____ Con:

(Favored by:

_____ Hold for future study and consideration

(Favored by:

Consumer Message Option I-D

Proposal: Consumer Benefit Analysis

Each Executive branch department and each independent agency would be required to prepare a Consumer Benefit Analysis setting forth the direct and indirect costs to consumers as well as the benefits of any proposed legislation or regulations which may have a significant impact on consumers. The Consumer Representative in each agency would be responsible for insuring that this material is considered in the agency's decision-making process.

Pro: This, in effect, could become an adjunct to or name change of OMB's "Inflation Impact Statements."

This proposal would receive wide political support.

Con: Already adequately provided for in OMB "Inflation Impact Statements."

Cost:

Decision: Pro: (Favored by: Baroody, Knauer)

Con: (Favored by:

Hold for future study and consideration
(Favored by:

II. CONSUMER /
REG. REFORM
PROPOSALS

Consumer Message Option II-A

Proposal: Regulatory Reform Commission

Although a Regulatory Reform Commission would have a broad mandate to review the entire spectrum of regulatory activity, it would also be specifically charged with examining agency responsiveness to consumer interests. In addition, the legislation would provide for review of not only independent agencies, but also any other semi-autonomous agencies, bureaus, and departments which have a regulatory function.

You could make the point in your message that until such a commission reviewed the work of the various agencies and made recommendations it would be inappropriate to create yet another independent agency, as CPA legislation would do. Thus, you would be preserving your option of later endorsing an independent agency if this commission's work and the other steps you propose in this Message are not sufficient.

You could also make the point in your message that you have not been inactive since submitting reform legislation last Fall. Rather you are prepared to submit during the next few months specific regulatory reform proposals to Congress which should be given the highest priority by both the Commission and the Congress.

Pro: The widespread recognition of the need for regulatory reform, following your proposal of last October, is apparent. By listing regulatory reform as part of your consumer program you will be making the logical linkage between the two and, more importantly, harnessing the political energy behind each. Also your imminent submission of specific legislation will stimulate action in this area and put you in a strong leadership position.

Con: Commissions are generally ineffective, producing studies which are usually ignored. Proposing a Commission will be viewed by some consumer advocates as a dilatory tactic which merely evades the real issue. The Administration's support for the concept of regulatory reform can better be established by either announcing support for the Special Senate Committee on Regulatory Reform or submitting significant reform measures directly and asking for immediate attention rather than further Commission studies.

Cost:

Decision: _____ Pro: _____
(Favored by:

_____ Con: _____
(Favored by:

_____ Hold for further study and consideration
(Favored by:

Consumer Message Option II-B

Proposal: Reform of Surface Transportation Regulation

In no other industry are consumers more at the mercy of outdated regulation than in our various modes of transportation. While the Interstate Commerce Commission was created originally to protect the public from monopoly power of the railroads, today, the hundreds of rules and regulations established by this agency to regulate competition cost the consumer an estimated \$4-10 billion annually.

As the result of a 4 month task force effort by DOT, Justice, CEA, CWPS, and OMB, detailed legislative proposals to modify ICC pricing practices, liberalize market entry, exit and licensing restrictions and eliminate antitrust immunities for both rail and trucking would be ready for submission to Congress by March 21, 1975. A Presidential message could announce the submission of this legislation and establish a long term goal of eliminating all unnecessary and costly government regulations.

PRO:

- Inclusion in a Consumer Message would indicate the kind of Presidential interest and support needed to get these measures enacted and place the President in a strong leadership role.
- Would cast the issue as a consumer problem thus taking transportation regulatory reform out of its normally limited Congressional and Special Interest forum.

CON:

- This issue will receive opposition from truckers and teamsters and therefore may have some political cost.
- Surface transportation at present is not thought of as a "sexy" consumer issue and would take some work to arouse public concern and support.

Cost:

Decision: _____ Pro:

(Favored by: Baroody, Knauer

_____ Con:

(Favored by:

_____ Half for future study and consideration

(Favored by:

Consumer Message Option II-C

Proposal: Air Transportation Regulatory Reform

The impact of economic regulation of the airlines by the CAB is even more evident to the consumer in terms of cost than is surface transportation regulation. At present, any increase or decrease in airline fares must be approved by the CAB; all route changes must be approved; leaving competition among the airlines limited to differences in services offered and flight frequency. Concrete evidence of the added cost of regulation may be easily seen in California and Texas where regulated carriers compete with intrastate carriers which are not CAB regulated in the same markets. In these cases, fares of the non-regulated carriers are as much as 40% lower.

To resolve these problems, an Administration task force is currently developing specific legislative reforms to liberalize both CAB pricing practices and entry/exit restriction and end antitrust immunities for the airline industry. A Message would highlight the problems and costs of CAB regulation and announce forthcoming submission of legislation.

PRO:

- This issue is currently receiving considerable press attention as a result of the Kennedy hearings, etc. Announcement of an Administration bill would put the President out front and capitalize on current public interest.
- To some degree, as in the case of surface transportation, air carrier reform legislation will require a strong Presidential commitment which could be signalled in a message.

CON:

- The airlines will object to such legislation.
- The legislation will probably not be ready for formal submission for a month.

Cost:

Decision: _____ Pro:

(Favored by: Baroody, Knauer)

_____ Con:

(Favored by:

_____ Hold for future study and consideration

(Favored by:

Consumer Message Option II-D

Proposal: Financial Institutions Act

Banks and thrift institutions are among the most highly regulated businesses in the country. Virtually every aspect of their operations is regulated. For example, the rates at which these institutions may pay interest to their depositors are subject to Federally-established maximums. At present, these laws favor large depositors rather than the small saver who have less money to invest..

The Administration is on the verge of resubmitting legislation seeking to remove outdated constraints on the services and rates which banks and savings institutions may offer. Such action will open up new sources of deposits and increase lending power of these institutions, thus providing some much needed credit to finance industrial growth and housing construction. In addition, the average consumer will have a better opportunity to earn an honest return on his savings investment. A Presidential message could announce submission and urge enactment.

PRO:

- In the current economic situation, increased savings dividends would be a popular item in a Consumer Message.
- A message would provide a good vehicle by which to signal Presidential interest and concern to the Congress.

CON:

- This is not a new legislative initiative--consumers with a particular interest in this issue could view its resubmission with a ho-hum attitude.

Cost:

Decision:

_____ Pro:

(Favored by: Baroody, Knauer

_____ Con:

(Favored by:

_____ Hold for future study and consideration

(Favored by:

Option for Discussion:

Additional consideration should be given to the title of this proposed legislation. An effort should be made to distinguish this bill from last year's unsuccessful proposal, preferably by giving this year's bill a new and more politically appealing title. "Financial Institutions Act" is bland, dull, staid and sounds too Republican, big business, banking oriented. Resubmission of a retitled bill--especially one so artfully reconstructed--will avoid many of the difficulties encountered last year and enhance the prospects of broader appeal and support and ultimate passage. One suggested title would be: "Expansionary Credit and Small Investors Act of 1975."

Proposal: Announce Legislation Will Be Submitted to Reform the
Robinson-Patman Act

Like "fair trade" laws, the 1936 Robinson-Patman Act denies consumers the benefit of stiff competition in the stores by making it difficult for producers to give price breaks they might otherwise offer. The Act generally forbids a company from selling the same commodity at different prices to different outlets unless it can conclusively prove that certain economies of production and distribution permit it to do so. Companies subject to the law (the service sector is exempt) have found it very difficult to satisfy the court's requirement for proof of innocence and therefore tend to comply carefully. The legislation to be proposed by Justice will suggest revisions which preserve a special remedy against anti-competitive price discriminations while eliminating language, and interpretations, which discourage legitimate price competition. The existing law is patently anti-competitive and anti-consumer. Economists, lawyers, and two Presidential Commissions, are in broad agreement that a thorough revision of the Act is needed.

PRO:

- As part of a program to reduce consumer costs, this action by the President, would be seen as pro-consumer.
- Presidential leadership is essential if any Congressional action is to be taken.

CON:

- The proponents of Robinson-Patman--such groups as retail druggists and retail grocers--will fight any modification of the Act on the grounds that it helps small businesses compete against the advantages of large firms buying in great quantity at low prices.
- It is a complicated issue and one that is difficult to explain simply to the general public.

Cost:

Decision: _____ Pro:

(Favored by: Baroody, Knauer

_____ Con:

(Favored by:

_____ Hold for future study and consideration

(Favored by:

Consumer Message Option II-F

Proposal: Provide for easier deviation from food standards in order to develop new foods

This proposal would amend the Federal Food, Drug, and Cosmetic Act to facilitate the issuance of such permits for reasonably lengthy periods to evaluate public acceptance of the new product with clear criteria stated in the amendment for FDA in the issuance of the permits.

Pro: The Report of the White House Conference on Food Nutrition and Health speaks favorably about encouraging the marketing of new foods, provided the consumer is not misled or confused about the identity of what he is buying. A problem for consumers and marketers arises where a new food deviates in some way from a food standard, requiring "sub-standard" or "imitation" labeling, unless the marketer can obtain a temporary permit to deviate from the standard. No criteria for such deviation or permission for such permits can be found in existing law.

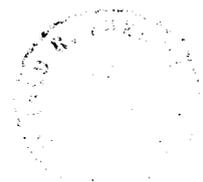
Con:

Cost: None

Decision: _____ Pro:
(Favored by:

_____ Con:
(Favored by:

_____ Hold for future study and consideration
(Favored by:



Consumer Message Option II-G

Proposal: Establish Intergovernmental Task Force on State and Local Regulatory Reform Leading to a White House Conference

Following the President's October 8 call for a review of State and local regulation and restrictive practices, there has been considerable interest expressed for obtaining additional information on the types of actions State and local governments might take to remove such practices. The President's December 4 letter to Governors, Mayors, and State Legislators urged these officials to review and modify regulations which unnecessarily restrict competition and raise costs to the consumer and provided some examples of the kinds of practices to be reviewed.

In addition to working with the public interest groups (e. g. National Coalition, State Legislators), OMB has been working with other Federal agencies (Justice, FTC, Productivity Commission, etc.) to identify and make specific recommendations on "targets of opportunity" in this area.

The Consumer Message would (1) highlight priority areas of concern (e. g. public utility regulation, insurance and financial institutions regulation, occupational licensure, certain price-fixing arrangements and prohibitions against competition (e. g. real estate settlement fees, drug and eyeglass advertising), building codes, and local transportation regulation; (2) set in motion an Intergovernmental Task Force including State and local officials; (3) announce our willingness to provide a forum for the discussion of these issues and the exchange of information among interested officials at all levels of government (e. g. White House Conference).

Pro: Continues momentum of past Presidential action.

Gives Presidential leadership to a growing bipartisan consumer concern.

Indicates a cooperative means of working with State and localities.

Con: Not a major result-oriented event.

Question could be raised as to whether the Federal government should be playing a major role in this area.

Cost:

Decision: _____ Pro:

(Favored by: Baroody, Knauer

_____ Con:

(Favored by:

_____ Hold for further study and consideration

(Favored by:

Consumer Message Option II-H

Proposal: Announce Administration Support for Special Senate
Committee on Regulatory Reform

The Senate has action underway to create a joint Commerce-Government Operations Committee to review government regulation. It is planned as a 1 1/2 year effort with a budget of \$750,000. This is their substitute for a National Commission on Regulatory Reform. Indications are that it could provide a useful vehicle for airing a number of difficult regulatory issues.

Pro: Allows Administration to voice support for a "regulatory reform commission" effort and state its views that such a committee can be a vehicle by which to review forthcoming Administration legislative proposals for reform (e. g. surface and air transportation).

Permits the President to provide his views that such a group should not be an excuse for inaction but rather a vehicle for change.

Con: Will more or less signal Administration non-support for creation of a National Commission on Regulatory Reform.

Cost:

Decision: _____ Pro:
(Favored by:

_____ Con:
(Favored by:

_____ Hold for future study and consideration
(Favored by:

Consumer Message Option II-J

Proposal: Streamline hearing procedures under the Federal Food, Drug and Cosmetic Act

This proposal recommends that the hearing provisions of the FFD&C Act be amended in order to accelerate the hearing process without injuring the necessary due process protection of affected parties. (The recommendation of the Administrative Conference would be a good starting point).

Pro: The Administrative Conference of the U. S. , affected industry and consumer advocates have, from time to time, criticized the prolonged hearing procedures under the Federal Food, Drug, and Cosmetic Act, hearings which in some cases (food standard hearings primarily) have lasted for years.

Con:

Cost: None

Decision: Pro: (Favored by: Baroody, Knauer, DHEW, FDA)

Con: (Favored by:

Hold for future study and consideration
(Favored by:

III. CONSUMER
LEGISLATIVE
INITIATIVES

Proposal: Repeal federal law allowing for state resale price maintenance laws (with fair trade laws)

This proposal would reiterate the Administration's support for Senator Brooke's bill to repeal the Miller-Tydings Act (1937) and the McGuire Act (1952) which permit States to establish laws allowing manufacturers to dictate the retail prices at which their merchandise can be sold without being in violation of the Federal Antitrust Laws. These are the Resale Price Maintenance Laws or "Fair Trade Laws" as they are generally known. Basically, these laws allow a manufacturer to enter into a contract with one buyer at a set price and this agreement will be binding on all retailers who sell the product in that state. While it has been argued that these laws keep predatory retailers from drawing more than their share of the market by "undercutting" other businesses, in reality the laws have allowed manufacturers to set their prices at an artificially high level.

Pro: The Department of Justice has estimated that resale price maintenance increases prices on fair traded goods by 18 to 27 percent. The elimination of these laws should save the consumer between \$1.5 and \$3 billion a year.

Additional Presidential attention will bring national attention to the problem, thus creating public pressure on both Congress and State legislatures to take action.

Would again exhibit Congressional/Executive Branch cooperation by emphasizing Administration support for Senator Brooke's initiative.

Con: President has already endorsed this action, therefore, mention in a Consumer Message would simply be a re-statement of support.

Cost: Enforcement costs only

Decision: Pro:

(Favored by: Baroody, Knauer)

Con:

(Favored by:

Hold for future study and consideration

(Favored by:

Consumer Message Option III-B

Proposal: Prohibit pyramid sales transactions

This proposal would provide for the prohibition of pyramid sales transactions (transactions in which generally the incentive for the buyer of a distributorship is the prospect of monetary gain from the sale of further distributorships) in interstate or foreign commerce or by use of the mails, and would give SEC regulatory authority to carry out the Act.

Pro: This proposal is intended to follow generally along the lines of S. 1939 which was passed by the Senate in August 1974. This proposal is primarily a response to such promotional schemes as Koscot, Dare To Be Great, and Holiday Magic.

Con:

Cost: Enforcement costs only

Decision: Pro:
(Favored by: Baroody, Knauer)

Con:
(Favored by:

Hold for future study and consideration
(Favored by:

Consumer Message Option III-C

Proposal: Announce Decision on Auto No-Fault Legislation

In the last Congress the Senate passed S. 354, a Federal minimum standards type no-fault insurance bill, but the measure died in House Committee. Senator Magnuson has reintroduced an identical bill, based on model State legislation developed by DOT.

In the next week or so, a Presidential decision will be sought on whether or not to include no-fault as part of the Administration's economic program of reducing consumer costs.

Pro: No-fault is a major consumer issue which might translate into savings as high as \$2-3 billion, if enacted on a national basis. If the President decides to support no-fault, the Consumer Message should highlight this as part of his consumer program.

Con: Considerable opposition to Federal no-fault remains centered around Federal encroachment upon individual choice and State responsibilities.

Cost:

Decision: _____ Pro:
(Favored by _____)

_____ Con:
(Favored by: _____)

_____ Hold for future study and consideration
(Favored by: _____)

Consumer Message Option III-D

Proposal: Announce a Review of Antitrust Immunities to be Completed
in 90 days

Restraints on competition and market efficiency exist in a number of areas as a result of exemptions from the antitrust laws. Justifications for these exemptions vary widely. For example, exemptions are sometimes said to be necessary in order to prevent a disparity in economic power from unfairly disadvantaging some industry or identified groups, such as agricultural cooperatives, small retailers, exporters, or labor unions. The separation of Federal and State powers is said to argue for State regulation of certain industries without Federal antitrust interference.

In response to an Economic Policy Board request, a Task Force has been set up in the Executive Branch under the lead of the Justice Department, to review antitrust exemptions in a number of areas. For example, the Capper-Volsted Act permits agricultural cooperatives to set prices collectively, a privilege which was rooted in certain political and economic considerations which no longer reflect realities in the agricultural sector. Competing ocean carriers are permitted to organize themselves into cooperative arrangements known as "conferences" which, in turn, are explicitly exempt from the antitrust laws. And the McCarran-Ferguson Act protects State-supervised, private ratemaking bureaus in their establishment of non-competitive prices for insurance services.

Although specific legislative proposals other than modification of antitrust immunity in air and surface regulation and repeal of the fair-trade laws will not be made at this time, it is recommended that the Consumer Message announce that such antitrust immunities are under review and further legislative proposals may be forthcoming.

PRO:

- Provides Presidential leadership in trying to remove exemptions to antitrust actions and reliance on free competition and the marketplace.

III-D (Continued)

-- Continue President's efforts at strong antitrust enforcement.

CON:

-- Could be viewed as just another study.

-- It is an issue that is not fully understood by the general public.

Cost:

Decision: Pro: (Favored by: Baroody, Knauer

 Con: (Favored by:

 Hold for future study and consideration (Favored by:

Consumer Message Option III-E

Proposal: Announce the President's Intention to Veto any Legislation which Unnecessarily Raises Prices to the Consumer or Restricts Production; Highlight Specific Examples

A number of Congressional "threats" in the form of anti-consumer legislation are likely to reach the President's desk this year. As in the case of his veto of the Cargo Preference legislation last year, which could have increased the consumer's energy bill by \$5-6 billion annually, the President could commit to vetoing any such legislation.

An example of possible threats which might be highlighted is new farm price support legislation which has already cleared a House committee. The legislation would put a very high target price on a given output of a wide range of commodities. When prices fall below these high target prices, direct payments would be made to the farmer.

The result is twofold: either very high budget outlays (OMB estimates possibly as high as an additional \$25 billion if the legislation in its present form were enacted) or a return to the constraints on agricultural production characterized by the last several decades. The Farm legislation of 1973 marked a return to a largely unregulated agricultural sector.

OMB believes that the result would be a combination of high budget outlays and a return to regulation of the agricultural sector. To the extent the latter is the result, significantly increased food costs to the consumer would ensue.

Although the President has not made a decision to "signal" a veto of such legislation, the Secretary of Agriculture believes such a veto would be in order. OMB is seeking a Presidential review of the issue.

Pro: The proposed farm legislation is intended to benefit the agricultural sector at the expense of the taxpayer and the consumer. Should the President decide that a veto signal is in order, the Consumer Message should highlight his intention as an example of his willingness to protect the consumer against this and all other such legislation.

Consumer Message Option III-F

Proposal: Propose changes in the Federal Reporting Act and Federal Register that afford the public better notice and clearer understanding of proposed Federal decisions

This proposal would modify the Federal Reports Act to affirmatively encourage Federal consumer protection agencies to obtain better survey and marketing data before proposing (or denying) complex regulatory schemes.

The proposal would provide for public (consumer) representation in form and survey review by OMB and encourage public representatives to identify needed survey areas. The proposal would also create a public (including media) advisory board to the Director of the Federal Register with new powers to the Director instructing and allowing him to make the Federal Register a better working and source document for school curricula development as well as by public interest groups and media representatives seeking to obtain notice of Federal agency activities.

Pro: Present posture of agencies is to avoid White House clearance and industry scrutiny of survey forms--resulting in more insular rule-making policy and practice.

The Register is at present aptly described as an instrument of "minimum legal notice" at a time when Congressional delegations of greater rule--and policy-making powers to Federal agencies using the Register demand increasing public notice of involvement in the execution of such powers. This proposal should have endorsement by both ends of the philosophical and political spectrum as an instrument for piercing bureaucratic screen and make government more responsive and understandable.

Con:

Cost:

Decision: _____ Pro:
(Favored by: Baroody, Knauer)

_____ Con:
(Favored by:

_____ Hold for future study and consideration
(Favored by:

Consumer Message Option III-G

Proposal: Remove impediments to advertising prices of prescription drugs

This proposal would prohibit states and localities from enacting or enforcing any law or regulation which would prohibit or burden the posting of prices or prescription drugs.

Pro: This would allow the consumer to stretch his medical dollars by allowing him to comparison shop when buying prescription drugs.

Legislation based upon this proposal would not be expected to include any provision making FDA responsible for administering mandatory price posting. It also would not be expected to include any new authority for the FTC.

Con:

Cost: Enforcement costs only

Decision: Pro: (Favored by: Baroody, Knauer)

Con: (Favored by:

Hold for future study and consideration
(Favored by:

Consumer Message Option III-H

Proposal: Propose a National Appliance and Motor Vehicle Labeling Act

This proposal--recently introduced as S. 349 "Truth-in-Energy Bill"--authorizes the President to develop energy conservation specifications for a broad range of motor vehicles and appliances in order to provide information to the public on the energy consumption characteristics of these "big-ticket" items so consumers, by comparing such characteristics when purchasing major appliances and motor vehicles, may select those that can effect savings in energy consumption.

Pro: S. 3255 and H.R. 15616 of the 93rd Congress reflected this proposal and were submitted by and supported by the Administration.

Con: Unwarranted Federal government intervention into the private sector.

Cost:

Decision: _____ Pro:
(Favored by: _____)

_____ Con:
(Favored by: _____)

_____ Hold for future study and consideration
(Favored by: _____)

Proposal: Support Drug Identification Act

In sum, the Drug Identification Act would establish a code system for the identification of prescription drugs. Present labelling provisions of the Food, Drug and Cosmetic Act relating to the identification of drug products and their production or distribution origin do not require that this information be shown directly on the tablets or capsules of drugs marketed in these forms. Thus in cases of personal emergency, such as over-dosage or accidental ingestion of a drug, identification may be seriously delayed and may require elaborate and time consuming laboratory analysis. A quick identification of the drug in such emergencies, by labeling and direct product coding, would facilitate prompt medical treatment. Moreover, a uniform drug coding system to identify drug manufacturers and distributors would also be of great value to this and other Federal and State agencies in the administration of drug purchase and reimbursement programs.

Pro: This legislation was prepared to carry out a recommendation by President Nixon contained in his consumer message of October 30, 1969, and reiterated in his message of January 26, 1971.

Con:

Cost:

Decision: _____ Pro: (Favored by: Knauer

_____ Con: (Favored by:

_____ Hold for future study and consideration (Favored by:

Consumer Message Option III-K

Proposal: Support medical devices legislation based upon the deliberations surrounding S. 1446 in the 93rd Congress

This proposal would allow FDA to provide for classification of medical devices into three regulatory categories:

1. Those exempt from standard setting and premarket review
2. Those for which standards should be set and enforced
3. Those of a life threatening character which require premarket review.

Other gaps medical device legislation would fill include:

- mandatory registration for establishments manufacturing devices
- specific Federal authority to assure the use of good manufacturing practices
- increased Federal inspection authority
- a requirement that device manufacturers maintain records and reports on clinical experience with devices
- procedures to require manufacturers or distributors of devices violative of Federal standards to repair or replace the devices or refund their purchase price.

Pro: Present law imposes no duty upon medical device manufacturers to establish the safety or efficacy of their products prior to marketing. Nor does FDA have authority to prescribe standards of safety to which these devices must conform. Instead, to prove a device unsafe or useless, consuming and expensive court efforts must be undertaken. Even where successful in court it is difficult to recapture those faulty devices distributed during the court battle.

The Administration has supported this measure in the past and it can be packaged as a consumer protection measure in this message.

Con: Although some say FDA's device inventory eliminated the need for medical device legislation, a close look at the inventory reveals it was compiled with information voluntarily submitted and not complete. Further, attempting to have all devices held to be drugs by the courts in order to give FDA jurisdiction is futile.

Also since this proposal would add regulation it may be somewhat inconsistent with the deregulation thrust of the overall message.

Cost:

Decision: _____ Pro:

(Favored by:

_____ Con:

(Favored by:

_____ Hold for future study and consideration

(Favored by:

Consumer Message Option III-L

Proposal: Propose legislation aimed at product testing in the private sector -- a Consumer Product Test Methods Act such as has been supported by the National Bureau of Standards

Product characteristics would be identified and measured against tests and standards developed by the N. B. S. and labeled and advertised accordingly (voluntarily by marketers) providing the consumer with an important purchasing tool (objective product information) and the advertiser with a national and objective basis for product comparisons (comparisons which are now frequently criticized by the FTC and the CBBB).

Pro: This proposal would stimulate greater price and quality competition, improved product efficiency, and better value comparisons by consumers in the sale of consumer durables.

FTC Chairman Engman has endorsed legislation going further -- mandatory labeling. Also, this proposal differs from the bill introduced by Senator Magnuson last session in that use of the test results in labeling and advertising would be voluntary.

Con: Unwarranted Federal intervention into the private sector. A first step toward new and onerous regulation of producers. Would require increased spending for N. B. S. to develop standards.

Cost:

Decision: _____ Pro:
(Favored by:

_____ Con:
(Favored by:

_____ Hold for future study and consideration
(Favored by:

IV. CONSUMER
(NON-LEGISLATIVE)
INITIATIVES

The TT wants to
defer for 60 days

A big reason for deferral is
the fact TT has based attack
on fact Democrats have no plans
now they do and they are
putting burden on him
to allow time to
consider.



Consumer Message Option IV-A

Proposal: Improved Quality Grading Systems

Proposal would direct the Special Assistant to the President for Consumer Affairs to develop a task force with USDA (Ag. Extension), FDA, and DOC which would recommend harmonization of grade-labeling systems to facilitate consumers' value comparison and thereby fight inflation.

Pro: The USDA has recently announced that consumers do not understand the numerous (sometimes inconsistent) and disparate voluntary grade-labeling system promoted by USDA (and others) for packaged and canned fruits, vegetables, jams, meats, poultry, etc. Inability to understand and use these systems means insufficient information for consumers.

Con:

Cost:

Decision: _____ Pro:
(Favored by: Knauer

_____ Con:
(Favored by:

_____ Hold for future study and consideration
(Favored by:

1. Vue-graphs

A. DIR charts

B. Cong. break-out

2.

THE WHITE HOUSE
WASHINGTON

MAK 1375

March 10, 1975

MEMORANDUM FOR:

JIM LYNN
JACK MARSH ✓
MAX FRIEDERSDORF
DICK CHENEY
JIM CAVANAUGH
PAUL O'NEILL

FROM:

JIM CANNON

SUBJECT:

Consumer/Regulatory Reform
Message Options

For discussion later today, I'm attaching a copy of the decision paper on the above subject.

Attachment



THE WHITE HOUSE
WASHINGTON

MEETING ON CONSUMER PROTECTION

Tuesday, March 11, 1975
5:30 p.m. (30 minutes)
The Oval Office

From: Jim Cannon

I. PURPOSE

To discuss options on consumer/regulatory reform.

II. BACKGROUND, PARTICIPANTS, PRESS PLAN

A. Background: During your meeting with Virginia Knauer last week concerning consumer issues, you directed that she and Bill Baroody work with the Domestic Council in developing options for a possible special message on consumer initiatives and regulatory reform. That paper, presenting those options for your decision was provided and will be discussed at this meeting.

B. Participants: James Lynn
Jack Marsh
Jim Cannon
Max Friedersdorf
Dick Cheney
Jim Cavanaugh
Paul O'Neill

C. Press Plan: Not to be announced. White House photograph only.

III. TALKING POINTS

None required.

THE WHITE HOUSE

WASHINGTON

March 8, 1975

MEMORANDUM FOR THE PRESIDENT

FROM : JIM CANNON *JWC.*

SUBJECT : Consumer/Regulatory Reform Message

At your meeting last week with Virginia Knauer to discuss consumer issues, you directed that she and Bill Baroody work with us in developing options for a possible special message on consumer initiatives and regulatory reform. The following paper presents those options for your decision.

SUMMARY

The proposals that follow have been put together with the objective of providing options for a total package that would serve as a strong Administration alternative to Consumer Protection Agency (CPA) legislation.

Virginia Knauer says that your message could be an opportunity for you to reassert your leadership in the consumer area and highlight what you have already done and are doing for consumers.

The 24 options attached fall into two categories:

- 1) Consumer oriented proposals, e.g.,
 - a) To strengthen the present Office of Consumer Affairs,
 - b) To improve present procedures for determining food and drug safety.
- 2) Regulatory reform proposals, including
 - a) Surface transportation,
 - b) Air transportation,
 - c) Financial institutions,
 - d) Robinson-Patman Act,
 - e) Repeal of Federal laws allowing "fair trade" laws.

Should you decide to go with all or part of this package, we can be ready to send your message to the Hill next week.

The Senate held their last day of hearings on the CPA bill yesterday, and we feel it is important to offer an Administration alternative before the Senate Committee completes its mark-up.

OPTIONS

1. Consumer Representation Act of 1975

At your meeting with Mrs. Knauer you said you would consider her proposal to expand the present Office of Consumer Affairs as an alternative to Administration support of a CPA. The Consumer Representation Act of 1975 would do that in two ways. Title I would statutorily create an Office of Consumer Affairs within the Executive Office of the President. Title II would statutorily establish within each independent agency and executive department an Office of Consumer Representation.

Title I: Statutory establishment of an Office of Consumer Affairs within the Executive Office of the President.

An expanded version of Mrs. Knauer's present office, this agency would perform most of the amicus type functions outlined in the Brown CPA bill. In addition, it would publish a Consumer Register, coordinate the activities of the consumer offices established by Title II in other agencies, and transmit consumer complaints to the appropriate Federal agencies.

On an interim basis, the existing office could be expanded by Executive Order. This would entail a staff increase of 35 and an FY'76 budget increase of \$1.5 million.

Pro: In conjunction with the separate Offices of Consumer Representation, would permit the Office of Consumer Affairs (OCA) to more effectively carry out its duties, and would command strong support from Mrs. Knauer, many consumerists, and business as an alternative to CPA legislation.

Con: Would be a new spending program. Goes against Administration policy of not creating special interest offices in the Executive Office of the President. Also, could run the risk this would not stop CPA legislation, and we could end up with both this office and a CPA.

Decision

- Pro (Knauer, Baroody, CEA, Marsh, Lazarus)
- Con (OMB, Seidman, Cannon: would prefer
it established by Executive Order)
- Hold for further study and consideration

**Title II: Statutory establishment of an Office of
Consumer Representation within each indepen-
dent agency and executive department.**

These offices, similar to the CAB Consumer Advocate, would have the authority to participate in agency proceedings in the same manner as a private party. Their authority would be granted by agency regulations, with the head of each agency having the responsibility for determining the role of its office. Among their responsibilities, the new offices would ensure that consumer benefit data be considered in the agency decision making process. Finally, they would operate in coordination with the expanded Office of Consumer Affairs.

Pro: Combined with an expanded, amicus OCA, these consumer offices could provide a viable Administration alternative to a CPA. Could provide visible proof of the President's consumer commitment.

Con: Could require sizable increased spending to provide necessary staff. Could have the effect of relieving agency operational units of considering the public interest and risk that the consumer offices be "captured" by vested interests. Same undesirable effects as the previous issue.

Decision

_____ Pro (Marsh, Seidman, Knauer, Baroody,
Lazarus)

_____ Con (OMB, CEA, Cannon)

_____ Hold for further consideration

2. Consumer Benefit Analysis

Each executive department and independent agency would be responsible for preparing a Consumer Benefit Analysis setting forth the direct and indirect cost and benefits to consumers of proposed legislation and regulations. The consumer representative in each agency would be responsible for seeing that it be considered in decision making.

Pro: Could receive wide political support and be an adjunct to the Inflation Impact Statement.

Con: Could be expensive and could be considered already adequately covered in the Inflation Impact Statement.

Decision

_____ Pro (Marsh, Seidman, Knauer, Baroody, Lazarus)

_____ Con (OMB, CEA)

_____ Hold for further consideration

3. Regulatory Reform Commission

Not only would the Administration continue its support for a Regulatory Reform Commission, but also we would expand its mandate to include semi-autonomous agencies, bureaus and departments with regulatory functions. Also, the Commission could be charged with examining agency responsiveness to consumer interests, giving a further reason why a CPA should not be established until the Commission's work is completed.

The Commission proposal would be supplemented by specific regulatory reform proposals you are making in this message.

Pro: Would strengthen both your consumer and regulatory reform programs by linking the two in this manner.

Con: With your specific proposals a Commission could be no longer necessary and could be viewed as an excuse for delay of further reforms.

Decision

_____ Pro (Marsh, Seidman, CEA, OMB, Knauer, Baroody, Lazarus)

_____ Con

_____ Hold for further consideration

4. Reform of Surface Transportation Regulation

ICC rules and regulations to regulate competition annually cost the consumer an estimated \$4-10 billion. As the result of a four month interagency task force effort, detailed legislative proposals to modify ICC pricing practices, liberalize market entry, exit and licensing restrictions, and eliminate antitrust immunities for both rail and trucking will be ready for submission to Congress by the end of the month.

Pro: Inclusion in this message would cast the issue as a consumer problem, taking transportation regulatory reform out of its normally special interest forum.

Con: Could receive opposition from truckers and teamsters and have some political cost.

Decision

_____ Pro (Marsh, Seidman, OMB, CEA, Baroody, Knauer, Lazarus)

_____ Con

_____ Hold for further study

5. Air Transportation Regulatory Reform

An Administration task force is currently developing specific legislative reforms to liberalize both CAB pricing practices and entry/exit restrictions and end antitrust immunities for the airline industry. The Administration has already testified on this before the Kennedy subcommittee and indicated that reform legislation would be forthcoming.

Pro: This issue is receiving considerable press attention and inclusion in the message could put the President out in front on this.

Con: Airlines will object to this reform.

Decision

_____ Pro (Marsh, Seidman, CEA, OMB, Knauer, Baroody, Lazarus)

_____ Con

_____ Hold for further consideration

6. Financial Institutions Act

The Administration is on the verge of resubmitting legislation seeking to remove outdated constraints on the services and rates which banks and savings institutions may offer. Not only would such action benefit the financial institutions and provide much needed credit, it would also give the average consumer a better opportunity to earn an honest return on his savings investment.

Pro: In the current economy, increased savings dividends would be popular with consumers.

Con: This is not a new legislative initiative.

Decision

_____ Pro (Marsh, Seidman, CEA, OMB, Baroody, Knauer, Lazarus)

_____ Con

_____ Hold for further study

7. Announce Legislation to be Submitted to Reform the Robinson-Patman Act

Like "fair trade" laws, the 1936 Robinson-Patman Act denies consumers the benefit of stiff competition in stores by making it difficult for producers to give price breaks they might otherwise offer. Legislation to be proposed by Justice will suggest revisions which preserve a special remedy against anti-competitive price discriminations while eliminating language and interpretations which discourage legitimate price competition. The existing law is patently anti-competitive and anti-consumer. Economists, lawyers, and two Presidential Commissions, are in broad agreement that a thorough revision of the Act is needed.

Pro: Could be seen as pro-consumer action on the part of the President and an example of Presidential leadership in reducing consumer costs.

Con: The proponents of Robinson-Patman will fight any modification of the Act on the grounds that it helps small businesses compete against the advantages of large firms.

Decision

_____ Pro (Seidman, CEA, Knauer, Baroody, Lazarus)

_____ Con

_____ Hold for further consideration (Marsh, OMB)

8. Provide for Easier Deviation from Food Standards in Order to Develop New Foods

Legislation would be submitted to amend the Federal Food, Drug, and Cosmetic Act to encourage the marketing of new foods. The issuance of temporary permits to deviate from an accepted food labeling standard would be authorized while public acceptance of the new product is being evaluated.

Pro: Could encourage further development of new, less expensive food products.

Con: Administrative authority already exists for FDA to issue temporary deviation permits. Also, this could be interpreted by consumers as encouraging misleading food marketing.

Decision

_____ Pro (CEA, Knauer, Baroody)

_____ Con (OMB, Lazarus)

_____ Hold for further consideration (Marsh)

9. Establish Intergovernmental Task Force on State and Local Regulatory Reform Leading to a White House Conference

Following the President's October 8 call for a review of State and local regulation and restrictive practices, there has been considerable interest expressed by State and local governments on the types of actions they might take to remove such practices. In the message you could (1) highlight priority areas of concern (i.e. public utility regulation, occupational licensure, etc).; (2) set in motion an Intergovernmental Task Force including State and local officials; (3) announce a willingness to provide a forum for the discussion of these issues and the exchange of information. The latter could be a White House Conference.

Pro: Indicates a cooperative concern to work with State and local officials on this important issue.

Con: Could be inconsistent with allowing States and localities to exercise their own priorities and with your December 4 letter to those officials.

Decision

_____ Pro (Marsh, CEA, Knauer, Baroody, Lazarus, OMB:
Federal cooperation but not in a task force
or White House Conference

_____ Con

_____ Hold for further study

10. Announce Administration Support for Special Senate
Committee on Regulatory Reform

The Senate has action underway to create a joint Commerce-Government Operations Committee to review Government regulation over a one and a half year period. This body could prove a useful vehicle for airing a number of difficult regulatory issues.

Pro: Permits the President to state that such a group should be a vehicle for change not an excuse for inaction.

Con: Could undermine Administration support for a Regulatory Review Commission. Also, there is a real chance this committee could delay indefinitely consideration of reforms.

Decision

_____ Pro (Seidman, Knauer, OMB: pending establishment
of the Review Commission

_____ Con (CEA, Lazarus

_____ Hold for further consideration (Marsh, Baroody

11. Propose Legislation to Streamline Hearing Procedures
Under the Federal Food, Drug, and Cosmetic Act

The Administration could submit legislation to amend the Federal Food, Drug, and Cosmetic Act so that the hearing process is accelerated. In some cases hearings can now drag on for years.

Pro: These prolonged hearings have been criticized by the Administrative Conference of the U.S. and such a proposal would be popular with consumers.

Con: Could be too insignificant an issue for inclusion.

Decision

_____ Pro (OMB: the specifics must be identified by
HEW first; Marsh; Seidman; CEA; Barody;
Knauer; Lazarus)

_____ Con

_____ Hold for further consideration

12. Repeal Federal Law Allowing for State Resale Price Maintenance Laws (with fair trade laws)

This proposal would reiterate the Administration's support for Senator Brooke's bill to repeal the Miller-Tydings Act (1937) and the McGuire Act (1952). Generally known as the Resale Price Maintenance Laws or "fair trade" laws, these acts allow a manufacturer to enter into a contract with one buyer at a set price and then allow that agreement to be binding on all other retailers who sell the product in that State. While it has been argued that these laws keep predatory retailers from drawing more than their share of the market by "undercutting" other businesses, in reality the laws have allowed manufacturers to set their prices at an artificially high level. The elimination of these laws should save the consumer between \$1.5 and \$3 billion a year.

Pro: Would be action strongly approved by consumers.

Con: Would be a restatement of earlier Presidential support. Also, because of pending action in many States it could more appropriately be a State issue.

Decision

_____ Pro (Marsh, Seidman, CEA, OMB, Baroody, Knauer, Lazarus)

_____ Con

_____ Hold for further consideration

13. Submit Legislation to Prohibit Pyramid Sales Transactions

The Administration could announce its support for legislation that would provide for the prohibition of pyramid sales transactions (transactions in which the incentive for the buyer of a distributorship is the prospect of monetary gain from the sale of further distributorships) in interstate or foreign commerce or by use of the mails. The SEC would be given regulatory authority to carry out the act.

Pro: Would show the Administration as willing to take action to protect the consumer from schemes such as Koscot, Dare To Be Great, and Holiday Magic.

Con: Could be seen as a regulatory measure in an essentially deregulatory message.

Decision

 Pro (Seidman, CEA, Knauer, Baroody, OMB, Lazarus)

 Con

 Hold for further consideration (Marsh)

14. Announce Decision on Auto No-Fault Legislation

A Presidential decision paper is being prepared on the no-fault issue. If you should change your position on this, the consumer message would be an appropriate time to announce it.

Pro: No-fault is a major consumer issue and a new position would be favorably received in a consumer message.

Con: Considerable opposition to Federal no-fault remains. Many see it as Federal encroachment upon individual choice and State responsibilities.

Decision

_____ Pro (Seidman, CEA, Knauer, OMB)

_____ Con (Marsh)

_____ Hold for further consideration (Baroody, Lazarus)

15. Announce a Review of Antitrust Immunities to be Completed in Ninety Days

In response to an Economic Policy Board request, a task force has been set up in the Executive Branch under the lead of the Justice Department, to review antitrust exemptions in a number of areas. Although specific legislative proposals other than modification of antitrust immunity in air and surface regulation and repeal of the fair trade laws will not be made at this time, the Consumer Message could announce that such antitrust immunities are under review and that further legislative proposals may be forthcoming.

Pro: Would be seen as pro-consumer Presidential leadership in trying to remove exemptions to antitrust actions and reliance on free competition and the marketplace.

Con: Could be seen as just another study.

Decision

_____ Pro (Baroody, Knauer, Marsh, Seidman, CEA, OMB, Lazarus)

_____ Con

_____ Hold for further consideration

16. Announce Intention to Veto Any Legislation Which Unnecessarily Raises Prices to the Consumer or Restricts Production

An appropriate statement could be made of your intention to carefully review legislation and veto any which would result in unnecessary price increases. Your veto of the Cargo Preference legislation last year could be given as an example of your commitment to this policy.

Pro: Would be example of your commitment to protect the interests of consumers.

Con: Could have difficulty agreeing with public on which price increases are necessary and which are unnecessary. Impact on consumers is already a consideration in approving legislation.

Decision

_____ Pro (Seidman, CEA, Baroody, Knauer, OMB: express strong Presidential disapproval of but not veto

_____ Con (Lazarus

_____ Hold for further consideration (Marsh

17. Propose Changes in the Federal Reporting Act and Federal Register to Give the Public Better Notice and Clearer Understanding of Proposed Federal Decisions

The Administration could submit legislation to modify the Federal Reports Act to encourage Federal consumer protection agencies to obtain better survey and marketing data before proposing (or denying) complex regulatory schemes. The legislation would provide for public (consumer) representation in form and survey review by OMB and encourage public representatives to identify needed survey areas. It would also create a public (including media) advisory board to the Director of the Federal Register and give the Director new authority to make the Federal Register a better working and source document.

Pro: Would have pro-consumer endorsement as making rule-making policy more visible.

Con: OMB already has a procedure for soliciting public comment. Also, the purpose of these changes has been addressed in the Inflation Impact Statement's policy.

Decision

_____ Pro (Marsh, Seidman, Baroody, Knauer)

_____ Con (Lazarus)

_____ Hold for further consideration (CEA, OMB)

18. Prohibit States and Localities from not Permitting
the Advertising of Prescription Drug Prices

The Administration would submit legislation that would prohibit States and localities from enacting or enforcing any law or regulation which would prohibit or inhibit the posting of prices of prescription drugs.

Pro: Would allow consumers to comparison shop for prescription drugs.

Con: Such Federal dictation of State and local laws could be condemned as heavy handed.

Decision

_____ Pro (Marsh, Seidman, CEA, Baroody, Knauer

_____ Con (Lazarus

_____ Hold for further consideration (OMB: the details of how this would be enforced are critical

19. Make Note of the National Appliance and Motor Vehicle Energy Labeling Act of 1975

The National Appliance and Motor Vehicle Energy Labeling Act of 1975 is Title XII of the Administration's Energy Independence Act of 1975. It would authorize the President to require energy efficiency labels on all new major appliances and motor vehicles. This would ensure that consumers are fully apprised of the efficiency of various appliances and motor vehicles and would encourage the manufacture and greater utilization of more efficient products.

Pro: This would demonstrate consumer awareness in our energy program.

Con: Could be criticized as unwarranted Federal Government intervention into the private sector. Would increase costs to consumers.

Decision

_____ Pro (Marsh, Seidman, Baroody, Knauer, Lazarus)

_____ Con (CEA, OMB)

_____ Hold for further consideration

20. Resubmit Drug Identification Act

HEW is preparing to resubmit the Drug Identification Act which would establish a code system for the identification of prescription drugs. Labeling and direct product coding would allow quick identification of drugs in emergencies, and would facilitate prompt medical treatment. This legislation has been pending since at least 1969.

Pro: Would be seen as a pro-consumer initiative.

Con: Could be of some cost to the private sector.

Decision

_____ Pro (Seidman, Knauer, OMB, Lazarus

_____ Con

_____ Hold for further consideration (Marsh, CEA, Baroody

21. Note that the Administration Plans to Resubmit Medical Devices Legislation

The Administration supported legislation submitted to the 93rd Congress that would have allowed FDA to regulate medical devices. Current law does not require manufacturers of medical devices to establish the safety or efficacy of their products before marketing. HEW is planning to resubmit the Administration's bill to this Congress.

Pro: Could be packaged in message as a consumer protection measure.

Con: Could be interpreted as a regulatory measure and out of place in a deregulatory message. Could result in increased costs to consumers.

Decision

_____ Pro (Seidman, Knauer)

_____ Con (Marsh, CEA, Lazarus)

_____ Hold for further consideration (Baroody, OMB)

22. Propose Legislation Aimed at Product Testing in the Private Sector -- A Consumer Product Test Methods Act such as Has Been Supported by the National Bureau of Standards

Legislation could be proposed which would allow products to be identified and measured against tests and standards developed by the National Bureau of Standards. The products could be labeled and advertised accordingly, providing the consumer with an additional purchasing tool and the advertiser with a national and objective basis for product comparisons.

Pro: Could stimulate greater price and quality competition, improved product efficiency, and better value comparisons by consumers in the sale of consumer durables.

Con: Could be seen as unwarranted Federal intervention into the private sector; could also have a substantial inflationary impact on the products tested.

Decision

_____ Pro (Seidman, CEA, Knauer)

_____ Con (Marsh, OMB, Baroody, Lazarus)

_____ Hold for further consideration

23. Improved Quality Grading Systems of Packaged Food

Direct the Special Assistant to the President for Consumer Affairs to develop a task force with USDA, FDA, and Commerce which would recommend harmonization of grade-labeling systems for packaged and canned fruits, vegetables, jams, meats, poultry, etc. This would be a measure to facilitate consumers value comparison.

Pro: Would be a pro-consumer initiative.

Con: Could be seen as another study.

Decision

_____ Pro (Marsh, Seidman, Knauer, CEA, Baroody, Lazarus)

_____ Con

_____ Hold for further consideration (OMB: the specifics and costs must be identified)

24. Improve the System for Disseminating Product Recall and Hazardous Information and Follow-up

Concern has been expressed both in the media and in Congress that sufficient product recall information is not getting to the affected consumer. In addition, business is worried that massive paid advertising campaigns might be required. You could direct Mrs. Knauer to chair a task force of the affected agencies such as FDA, the Consumer Product Safety Commission, Transportation, and Agriculture that would explore options for improving recall efforts and to report their findings to you.

Pro: Could be seen as an effort to solve this problem for both consumers and business.

Con: Could be interpreted as another ineffective study.

Decision

_____ Pro (Marsh, Knauer, Seidman, CEA, Baroody, Lazarus)

_____ Con

_____ Hold for further consideration (OMB: anticipated benefits must be identified)

CONCLUSION

Should you feel that there are an acceptable number of items in this package, we will proceed to work with the appropriate agencies in the development of a special message.

DECISION: Draft special message

_____ Approve

_____ Disapprove

THE WHITE HOUSE

WASHINGTON

March 11, 1975

MEMORANDUM FOR DISCUSSION

FROM: BILL BAROODY

SUBJECT: CONSUMER MESSAGE

I strongly urge adoption of the Consumer Message package, for I believe it is right on the merits. The options presented answer a wide range of needs and would go far towards much-needed reform.

In addition, sending such a Message puts the President squarely on record as supporting political reform. Such a Message would be the first step in establishing a major political theme that would attract conservatives, reformers, populists, consumer advocates, academics and many others.

Attached is a package which includes:

- 1) Proposed schedule of events to launch a major political campaign.
- 2) A rough, first draft of a Presidential Consumer Message which treats each of the options under consideration. This was drafted to give a flavor of the potential breadth and scope (and political utility) of such a Message.

Proposed Schedule of Events
Surrounding a Presidential Consumer Message

1. Week Before Sending Message

- Line up sponsors and business and consumer support for Consumer Representation Act of 1975. (Marsh - Friedersdorf)

2. Evening Before Sending Message

- Presidential "Fireside Chat" with U. S. Consumers on TV (Hartmann - Theis)

3. Day Message Goes To Congress

- A. Early morning Cabinet meeting to brief on details.
- B. Late morning Press briefing on details, possibly including President, Lynn, Seidman, Cannon, Baroody and Knauer.
- C. Early afternoon Presidential appointees briefing in East Room.
- D. Late afternoon Consumer and Business Leaders briefing in East Room followed by reception. (Baroody)

4. Week After Message Goes To Congress

- A. Distribution of materials to consumer offices, groups and leaders through Nessen - Warren, OCA.
- B. Distribution of materials to business firms, organizations and leaders through Commerce's Field Offices.
- C. Distribution of materials to Republican organizations and leaders through the National Committee.
- D. Utilize national TV media (Nessen)
 - . CBS: "Morning News" & "Face The Nation"
 - . NBC: "Today Show" & "Meet The Press"
 - . ABC: "AM America" & "Issues & Answers"
 - . Metro media "Panorama"
- E. Utilize national print media (Warren)
 - . Wall Street Journal
 - . National Observer
 - . Washington Post
 - . Washington Star
 - . New York Times
 - . Weeklies (Time/Newsweek/U. S. News)

5. During Month After Message Goes To Congress

- A. Do a Presidential Regional Conference on Consumerism and the Administration's new initiatives.
- B. Get principal spokesmen out to major cities for speeches, interviews and meetings.
- C. Have Commerce Field Offices set up a series of briefings across the country for the public, business and media.
- D. Prepare, distribute and have used by Presidential appointees a number of succinct paragraphs for their speeches.
- E. Assist trade associations and other interested groups in preparing material for their newsletters, journals or general mailings.
- F. Testify, brief and meet on the Hill with all interested members of Congress.

DRAFT

PRESIDENTIAL CONSUMER MESSAGE

Two of the greatest challenges facing America today are the closely interrelated tasks of restoring our nation's economic health and rekindling consumer confidence in American governmental, economic and social institutions.

To attack the nation's primary economic problems I have submitted comprehensive economic and energy plans to the Congress. And I believe that together the coequal Legislative and Executive branches of government will construct programs that will solve these problems.

When introducing my economic and energy programs I regrettably had to tell our citizens that I had bad news. Today I am pleased to tell the U.S. consumer that I have good news.

In this same spirit of cooperation I am outlining to the Congress a comprehensive consumer program, one which will not only provide substantial long-term economic benefits to all American consumers, but which will also help to restore consumer confidence in governmental institutions.

Since the primary responsibility of government is to serve the needs of its people--it is essential that the voice of its people be heard within the government decision-making process.

Our forefathers believed in the sacredness of that principle-- basing this nation's government on a foundation which provided for equality between the people's representatives and those who manage the bureaucracy--with a judiciary to arbitrate the differences.

Since those early days of our Republic dramatic changes have occurred in the structure and interrelationship of our public and private institutions.

Private Sector

Within the private sector business firms have multiplied significantly in number and many have grown to be national or multinational in size. The ratio between manufacturing firms and service firms has almost been reversed. Although we are still the greatest industrial nation in the world, our economy has for the first time in modern civilization become a service oriented economy. Our people, as consumers of these goods and services, are demanding higher quality, better guarantees and more efficient service--all at reasonable prices. And what with longer and more complicated distribution channels and larger and more impersonal business firms--it becomes

more and more difficult for the businessman and his customer to come together and reach some accord in the marketplace.

I am pleased that a number of innovative steps are being taken in an effort to remedy this situation. The best mechanism is within the channel of distribution utilizing responsive and responsible retailers, wholesalers and manufacturers who are willing:

- to promote their goods and services in an honest forthright manner;
- to provide these goods and services at a fair and reasonable price; and
- to stand behind and maintain these goods and services at least to the extent advertised.

However, when the consumer is frustrated by a seeming lack of responsiveness, there must be other recourse available. And the development of Consumer Action Panels within various industries designed to provide an arbitration vehicle for consumers finding it essential to go outside the channel of distribution-- is an excellent step in the right direction. These panels are usually composed of people from within that industry as well as consumer representatives. After a review of the facts the panel makes a recommendation, which

is usually lived up to by both sides. Sometimes the manufacturer is asked to replace or restore his product. Other times the consumer is told that the firm has fulfilled its responsibilities and that there is no real further obligation on the part of the provider.

An indication of how well this system works is in the major appliance industry. Until recently this industry was one of the leading sources of complaints received by Mrs. Knauer, my Special Assistant for Consumer Affairs. However, she reports to me that since the establishment of MACAP (Major Appliance Consumer Action Panel) a few years ago there has been a significant reduction in the number of such complaints received by her office. Such panels have already been established in the Carpet and Rug Industry (CRICAP), the Furniture Industry (FICAP) as well as by a few regional auto dealership organizations (AUTOCAP).

Most U. S. businessmen are honest, hard-working, legitimate and essential members of our economic system. But like any segment of our society, there are always a few who are ill-advised, unconcerned or just plain dishonest. Therefore, I call upon the other businessmen--the great majority--to band together and develop mechanisms that will allow for the full and fair hearing of consumer complaints and provide vehicles for reasonable solutions.

One such governmental mechanism exists within our judiciary system. I refer to our small claims courts. I urge local government officials to sit down with business leaders and consumer representatives to determine what needs to be done to improve this mechanism. I urge the utilization of revenue sharing funds as may be needed to see that these courts are open evenings and on weekends, to see that the procedural systems are streamlined to reduce the time involved and eliminate the need for expensive legal counsel, to set the jurisdictional limits at a reasonable level and to assure that adequate assistance and information is available to the user.

Public Sector

Within the public sector government departments and agencies, too, have multiplied significantly in number and increased substantially in size and involvement in our economy and society. Government agencies set the price of airplane tickets, routes for trucks, maximum interest that can be paid on your money, the speed at which you can drive your car, the standards by which your food and drugs are made, and many, many other regulatory functions.

All government regulation, however, is not bad. A civilized society must have order to function. And most government regulation came into being out of a need for order or a need to protect the health or safety or general welfare of our citizens.

Yet at a meeting last week with Vice President Nelson A. Rockefeller, consumer leaders from around the country consistently stressed two points:

1. the need for regulatory reform now, and
2. the need for greater consumer representation within the governmental regulatory decision-making process.

I agree!

Regulatory Reform

Last Fall I called for the establishment of a Regulatory Reform Commission. I proposed legislation that would put in place a bipartisan commission composed of representatives of both the legislative and executive branches. It would have a clear mandate and a short two-year life. But nothing happened in Congress.

However, during these last months we have continued to study the problem of too much governmental regulation, which in some instances has stifled productivity, almost eliminated competition and significantly increased consumer costs.

The time to act is now!

We must take specific steps to reduce government regulation and excess involvement in our economy--when and where it is no longer serving the best interests of our citizens.

Reform

Consumers and businesses have an interest in promoting competition in the marketplace. Competition is the stimulus for producing safer, more efficient, higher quality merchandise and competition gives consumers a diversity of buying choice. But while competition is the key to productivity and innovation in the free enterprise system, its effects are often hampered by inefficient or outdated government regulation. According to a recent report by the Council of Economic Advisors, the cost to the economy of ineffective regulation may be as high as \$66 per person a year, or \$122 billion a year.

This is too great a burden for the U. S. economy and consumer. It is also too great a burden for those businesses who want to compete without government strangulation.

Of course, there are important reasons for government regulation--to deal with the problems of monopoly, to insure public safety, and to allocate certain national resources, such as our airwaves. But unfortunately, once established, regulation has the tendency to become rigid with age and bureaucratic red tape. Regulatory agencies can become sacred cows, defended by the very businesses they regulate.

This consumer message I am sending to the Congress today contains a number of legislative proposals to eliminate some of these abuses while maintaining regulatory safeguards where they are needed.

Within the next few weeks I will send to Congress an Air Transportation Regulatory Reform Act and a Surface Transportation Regulatory Reform Act which together will foster greater competition in transportation by allowing for new market entries, by allowing for greater price competition without hindrance from government, and by narrowing the agencies' power to grant anti-trust immunity.

In no other industry are consumers more at the mercy of outdated regulation than in our various modes of transportation. While the Interstate Commerce Commission was created originally to protect the public from monopoly power of the railroads, today, the hundreds of rules and regulations established by this agency to regulate competition cost the consumer an estimated \$4-10 billion annually.

The impact of economic regulation of the airlines by the CAB is even more evident to the consumer in terms of cost than is surface transportation regulation. At present, any increase or decrease in airline fares must be approved by the CAB; all route changes must be approved; leaving competition among the airlines limited to differences in services offered and flight frequency. Concrete evidence of the

added cost of regulation may be easily seen in California and Texas where regulated carriers compete with intra-state carriers which are not CAB regulated in the same markets. In these cases, fares of the non-regulated carriers are as much as 40% lower.

The time has come to reform transportation ~~and~~ regulation now!

In another area of our economy I am sending to the Congress a legislative proposal to amend the Robinson Patman Act. Certain provisions in the act discourage legitimate price competition. My proposals will preserve a special remedy against anti-competitive price discriminations while eliminating language and interpretations which discourage legitimate price competition.

The Financial Institution Act (or the Expansionary Credit and Small Investors Act of 1975), which I will send to Congress next week, also aimed at stimulating is/competition by removing outdated constraints on the services and rates which banks and savings institutions offer to the consumer. Presently, these regulations favor the large depositor over the smaller depositor. Banks should be allowed to compete for the small investor's dollar. I urge that the Congress pass this Act because it will open up new sources of deposits and increase lending power of these institutions. This will result in additional credit to finance industrial growth and housing construction. It will also give the average consumer a better opportunity to earn an honest return on his or her savings investment.

In these days of high inflation, food manufacturers must be given the flexibility to introduce new, nutritious food products into the marketplace without the limitation of outdated standards. My proposal amending the Federal Food, Drug and Cosmetic Act will give manufacturers the flexibility they need to bring these new products into the marketplace, but at the same time they protect the consumer from being misled or confused about the product he or she is buying. This legislative proposal will closely follow a report of the White House Conference on Food, Nutrition, and Health.

Another important area of regulatory reform is the need to expedite regulatory decisions. Therefore, I propose to streamline the hearing procedures under the Federal Food, Drug and Cosmetic Act so as to accelerate this process in those areas covered by the Food and Drug Administration without injuring the necessary due process protection of affected parties.

While taking these immediate and specific steps I again call on the Congress to create a National Commission on Regulatory Reform to thoroughly examine all government regulation. If the goal of this commission is to be realized, consumers and businesses must join government in identifying issues that need to be solved and in developing alternative solutions to regulation.

The issue of regulatory reform is not limited to the Federal government. We need to work with the states to examine regulations covering energy and utilities, insurance, financial institutions, occupational licenses, and prohibitions against competition. Therefore I am establishing today an Intergovernmental Task Force on State and Local Regulatory Reform to work with the states to develop recommendations for reform. These proposals will be considered at a future White House Conference.

Consumer Representation

In spite of the need for regulatory reform and an overall effort at deregulation, certain government regulation is and will continue to be essential. But it is also equally essential that the public believe and be assured that the consumer point of view is adequately represented within the governmental regulatory decision-making process.

Some believe that this consumer voice should be placed in a new, independent Agency for Consumer Advocacy. I do not agree! We do not need a new agency when we are trying to deregulate and cut back on the role, size and cost of the Federal government. We do not need a new agency that will take years to organize, staff and develop the procedures, expertise necessary to deal with highly complex and technical licensing/standards-setting and rate-making cases.

Others, including certain of the consumer leaders, believe that a strong and expert consumer voice should exist in almost each and every executive department and independent agency. I agree! We need a number of Offices of Consumer Representation with adequate staff, access, expertise and the power to be heard--all operating within the existing structure and supported and coordinated by an enlarged and enhanced Office of Consumer Affairs within the Executive Office of the President.

A few will say that this method of organizing will not work because the Consumer Representative will be controlled by or become the captive of his agency. Again, I do not agree. We have already witnessed the effectiveness of the ICC Office of Public Counsel, which overturned completely original proposals and helped rewrite them so as to best serve the public's interest. Moreover I am directing my Special Assistant for Consumer Affairs to take a central coordinating, stimulating and advising role and to assist reluctant regulators to adjust to operating in and for the public interest. And lastly, Congress through its budgetary and general oversight process can assure consumers that their voices are being heard through these numerous Offices of Consumer Representation.

Therefore, I will support legislation that will create Offices of Consumer Representation in most executive departments and independent agencies as well as statutorily establish an Office of Consumer Affairs in the Executive Office of the President. This system of organizing will mean that the U. S. Consumer is better served through a number of mini-consumer agencies, each having adequate authority, access and legal, economic and other professional expertise--than one, monolithic, floundering new agency that will never be able to adequately staff with the necessary professional expertise or fit all of the varying problems into its set of priorities.

The U. S. Consumer wants adequate representation in each of the affected departments and agencies now! Most of you in Congress agree with this need. Now I call upon you to act in a manner that will provide the best possible consumer representation in each affected department and agency in the shortest possible time and at the least additional cost to the U. S. Consumer as a taxpayer. To achieve this extraordinary result I ask you to support my Consumer Representation Act of 1975.

In the interim I am taking certain actions immediately. Today I am requesting the heads of executive departments and independent

agencies to voluntarily begin setting up these Offices of Consumer Representation utilizing existing resources. Also I am taking steps to enlarge the Office of Consumer Affairs and by Executive Order I am directing Mrs. Knauer, my Special Assistant for Consumer Affairs, to begin stimulating and coordinating an orderly development of these Offices of Consumer Representation. And I stand ready to work with Congress for the swift enactment of my Consumer Representation Act of 1975.

OTHER CONSUMER INITIATIVES

Regulatory reform and consumer representation are extremely important consumer initiatives that we must deal with in this First Session of the 94th Congress. But there are other consumer matters and concerns that must be dealt with now.

These are hard times for consumers and it is time for the Federal government to look at ways it can cut costs for consumers by making the marketplace more efficient. Competition is essential in holding prices down. There are many impediments to competition built into our system and we must eliminate them.

These impediments come in many forms. Some are Federal laws on the books that permit price setting in one way or another by providing specific exemptions from our antitrust laws.

Other impediments are created by the lack of information that consumers need to compare competing products. One of the most basic of consumer rights is the right to information on which to base intelligent choices between products. Much of the information consumers need is invisible. Looking, asking, or reading a brochure won't tell the consumer how much energy an appliance



uses. Nor, often, can the consumer tell how a product will perform, compared to its competitors, just by looking at it. We must make visible the invisible information consumers need. When consumers have the facts, industry competes on the essentials such as price, product quality, service and energy conservation.

There are a few areas, however, where competition does not answer the consumer's needs. Protection against unsafe products and against fraud require the continued vigilance of government. In recent years the Federal government has made tremendous strides in safety legislation but we must continue to build on and refine these laws.

Antitrust

The so-called Fair Trade laws are not fair to the consumer. A number of states have laws that permit manufacturers to dictate the price at which their merchandise will be sold. Under these laws no retailer in the state can sell at a lower price. In essence, these laws tie the hands of anyone who wants to compete on the basis of price. The effect of these laws, according to Justice Department estimates, is to increase prices on fair traded goods by as much as 18 to 27 percent because manufacturers can set these prices artificially high. Consumers would save between \$1.5 and \$3 billion a year if the fair trade laws are repealed.

The Federal government must take the lead in eliminating fair trade laws. State fair trade laws have been made possible by two Federal laws, passed by Congress years ago, which in effect exempted fair trade practices from the antitrust laws. I want to reiterate my support for the legislation now before Congress to repeal the Miller-Tydings Act and the McGuire Act which, in turn, will lead to the repeal of state fair trade laws.

The fair trade laws are just one example of the many exceptions that have been made to our antitrust laws over the years. Earlier, I mentioned my plans to eliminate some of the antitrust exemptions in our transportation system. Each of these proposals attacks an important part of the problem.

But that is not enough. Now is the time to take a hard look at the whole spectrum of antitrust exemptions -- and to look at them through the consumer's eyes. When these exemptions hinder competition and reduce the efficiency of the marketplace, the consumer is the loser.

I am therefore setting up a Task Force under the lead of the Justice Department to review antitrust exemptions. Some of these exemptions were enacted years ago when our market structure was very different. Our needs have changed. For example, agricultural producer cooperatives are permitted by the Capper-Volsted Act to set prices collectively on such foods as milk. When that exemption was



enacted, the producer cooperatives were small and struggling. Now some of them control agricultural markets over an area of many states. What does that mean for food prices? That is one of the questions I am asking the Task Force to look into.

There are antitrust exemptions for competing ocean carriers, and for private rate-making bureaus that establish non-competitive prices for insurance services at the state level under the McCarran-Ferguson Act. The Task Force will be looking into these exemptions and others too. I have directed the Task Force to consider the costs to the consumer as well as the needs of the affected industries in reviewing these exemptions. Following upon the Task Force's review, I may have additional legislative proposals at a later date.

New legislation will get the same scrutiny that we are giving to laws already on the books. When a bill comes to my desk for signing, I shall look at the impact it will have on the prices consumers pay and I shall not hesitate to veto laws which unnecessarily raise prices to the consumer or restrict production.

For example, farm price support legislation now before Congress could lead to high Federal subsidies of farm prices or restrictions on agricultural production. It would signal a return to regulation of the agricultural sector. We estimate that this legislation,

as it now stands, could cost the taxpayer as much as \$25 billion in subsidies alone. In addition, the consumer would have to pay in higher food costs if the government gets back into the business of regulating and limiting agricultural production as this legislation proposes. I oppose such legislation.

Auto No-Fault

I will also seek legislation that can help cut consumer costs. One increasingly expensive item in most family budgets is automobile insurance. The present automobile insurance laws in most states give rise to needlessly expensive suits to determine liability and damages. We estimate that consumers could save as much as \$2 to \$3 billion if every state adopted the no-fault concept of automobile insurance. Under the no-fault system, most of the automobile owner's accident costs are covered by his own insurance company, regardless of fault and thus expensive law suits are avoided. Automobile owners in the few states that have adopted effective no-fault insurance plans are already reaping the benefits in reduced (or not increased?) automobile insurance premiums. To bring the benefits of no-fault insurance to every automobile owner, I am therefore endorsing legislation that sets Federal minimum standards for state no-fault insurance laws.

At the same time that we work to sweep away the cobwebs of old laws that unnecessarily increase costs to the consumer, we must recognize that some new legislation is needed to protect consumers' rights in the marketplace, the right to information, the right to protection from unsafe products and from fraud.

The Right to Know

The consumer's right to know is fundamental to making our economy work. Consumers need to get full value out of every dollar they spend. And to get full value they need a way to compare the key characteristics of competing products. For some products, consumers need information that they cannot get today.

With soaring utility bills and expensive gasoline, one of the key questions consumers have about major appliances and motor vehicles is how much energy they use. In most cases, the consumer's question goes unanswered because there are no standards for comparing the energy consumption characteristics of competing products. And yet, every consumer, and the nation as a whole, have a stake in conserving energy by using more efficient appliances. To help consumers get the information they need, I have proposed a "Truth-in-Energy Bill." It would authorize the President to develop energy conservation specifications for a broad range of motor vehicles and appliances in

order to provide consumers with information about energy consumption.

Motor vehicles, appliances, and many of the other products on the market today are so complex that it is difficult, if not impossible, for the consumer to compare them objectively just by looking at them. Although the Federal government does not belong in the business of running comparative tests on products, the government can use its expertise to develop tests and standards that industry can use to compare products. I am therefore proposing a Consumer Product Test Methods Act which would authorize the National Bureau of Standards to develop tests and standards for comparing product qualities and performance. These standards would be available to manufacturers to use, on a voluntary basis, when they wanted to make comparative claims in advertising or at point of sale. Consumers would have the assurance that claims were based on valid tests.

The Federal government has established voluntary quality grading systems for some products, particularly food. However, the grade labeling based on these systems is confusing for consumers because there are so many different grading systems. The best quality for one food may be U.S. Grade AA but for another food the top grade may be U.S. No. 1. Consumers can't possibly keep in mind all the different voluntary grade labeling systems for vegetables ,

jams, canned fruits and so on and therefore they do not benefit from these programs. I am directing the Special Assistant for Consumer Affairs to set up a Task Force with the Department of Agriculture, the Food and Drug Administration and the Department of Commerce to recommend ways to harmonize the various grade labeling systems. Only in this way will consumers be able to use the grades to compare products.

The one comparison we all take for granted is price comparison. But, in the case of prescription drugs, it can't be taken for granted. A number of states restrict or prohibit drug price advertising or posting of prices within a Pharmacy. I am proposing Federal legislation to remove impediments to posting the price of prescription drugs so that consumers will be able to comparison shop for drugs. This measure could mean big savings for those consumers, many of whom are elderly, who buy prescription drugs on a regular basis.

Safety

There are serious gaps in the Federal government's authority to protect consumers from hazardous medical devices. Although new drugs cannot be put on the market until they are proved both safe and effective, there is no such requirement for devices. We must close this loophole.

I reaffirm my support for legislation that would give the Food and Drug Administration authority to review the safety and efficacy of

potentially life-threatening medical devices before they go on the market.

FDA should also have the authority to prescribe safety standards for medical devices when needed. In addition, the legislation I propose would provide the following: mandatory registration for establishments manufacturing medical devices; specific authority to assure the use of good manufacturing practices; increased Federal inspection authority; a requirement that device manufacturers maintain records and reports on clinical experience with devices; and procedures for repair, replacement or refund on devices that violate Federal standards.

Another vital piece of safety legislation would establish a code system for labeling prescription drugs. We need a drug identification law so that in cases of medical emergencies such as over-dosage or accidental ingestion, precious time is not lost in attempting to identify a drug before medical treatment can be given. A uniform coding system would have the additional benefit of facilitating federal and state administration of drug purchase and reimbursement programs.

A number of Federal safety laws require public notice or recalls of hazardous products with health or safety defects. However, in many cases, only a fraction of the hazardous products are located because consumers are unaware of the recall, or do not realize it applies to an item in their possession. I am asking my Special Assistant

for Consumer Affairs to chair a committee that will study the options for developing more effective recall techniques and report back to me any steps that might be taken.

Fraud and Deception

In the area of fraud and deception I am asking Congress for legislation to prohibit what are known as pyramid sales transactions. Pyramid sales works on a principle similar to the chain letter. Like the chain letter, the first people in are likely to reap big returns and the latecomers are the losers. In these schemes, people put down several thousand dollars to buy a distributorship and the right to sell other distributorships. Distributors hope to make their money not by selling the product, but by selling additional distributorships. My proposal would prohibit pyramid sales in interstate or foreign commerce or by use of the mails and would give the Securities and Exchange Commission regulatory authority to carry out the act.

Consumer Involvement

The best way to strengthen the Federal government's response to consumer needs is to involve consumers more actively in government decisions. The Federal government needs to know more about consumer needs when it carries out its regulatory responsibilities. I plan to

encourage Federal regulatory agencies to obtain better survey and marketing data before acting on regulatory proposals by requiring the development of a Consumer Benefit Analysis by each Office of Consumer Representation as part of each agency's Inflationary Impact Statement. In addition, I shall create a public advisory board to the Director of the Federal Register to work with him on making the Federal Register a more effective instrument in notifying, and thus involving, consumers in Federal regulation.

CONCLUSION

Now is the time to reform many of the archaic, unproductive, expensive and rigid regulations which are shackling the U.S. economy and directly affecting the American consumer. It is also time to reform the way in which the Executive branch and independent agencies consider direct consumer interests.

Ultimately the Office of the President must serve as the people's final consumer advocate.

It is my unique responsibility, as President, to weigh conflicting citizen interests and to finally make recommendations which are in the public interest. When I entered this office I said to the American people that I had not made special promises to any one sector or group. I pledge then to devote myself to the public good. Today it is clear that

this means more carefully considering the interests of the consumer.

I regret to say that in many instances government regulation has become either counter-productive, protective of special interest groups, or has lost sight of consumer needs and interests.

As we prepare for our Bicentennial we must pledge that good government means enhancing the power of the consumer in the marketplace and in the halls of government. Therefore, I have today outlined my program for reforming government so that the consumer interest will prevail. I will shortly submit legislation, or in some cases Executive Orders, to enact this program.

I ask your support in this most important effort of, by and for the U.S. consumer.