The original documents are located in Box 33, folder "Transition Reports (1977) - Commerce Department: Consolidated Issues (1)" of the John Marsh Files at the Gerald R. Ford Presidential Library.

U.S. DEPARTMENT OF COMMERCE

BRIEFING HANDBOOK

CONSOLIDATED ISSUES BOOK I OF 4

DEPARTMENT OF COMMERCE

CONSOLIDATED KEY ISSUES LISTING

Annotated to identify issues recommended for priority consideration, issues where a Departmental/Secretarial position is required or desired (by calendar year 1977 quarter), and issues with specific pacing events during 1977.

December 6, 1976

KEY ISSUES LISTING

Priority/Scheduling Notation

P = Recommend for priority consideration
D = Departmental/Secretarial position required or desired during quarter
* = Specific pacing event during quarter

GENERAL COUNSEL

		1977			
	›P	1	2	3	4
o Arab Boycott of Israel	P	D			
o Disclosure of Boycott Reports	P	*			
o Questionable Corporate Payments Abroad		*			
o Amendments to the Clean Air Act	P				
o Amendments to the Federal Water Pollution Control Act	P	*	*		
o Secretarial Delegation of Rulemaking and Adjudication Authority		D			
o Application of Davis/Bacon Standards to "Force Account" Projects Funded under the Public Works Act					
o Consumer Communications Reform Act		*			

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	1977			
P	1	2	3	4
Transfer of Contract Compliance Responsibility from the Department of Transportation to the Department of Commerce.				
Ensure that the Equal Employment Opportunity Enforcement Activities of the Economic Development Administration do not duplicate the Enforcement Activities of other Federal Agencies.	*			
Administration of Public Law 89-306 in Regard to the Procurement of ADP Resources	*			
Application of Policies for Reliance on the Private Sector (OMB Circular A-76) to ADP Requirements	*			*
Consolidation and Strengthening of Department ADP Management				
System of Source Evaluation Boards and Source Selection Officials				*
Automated Procurement Data System				*
Office of Minority Business Enterprise Program Contracts				
Productivity Management Program				*
Office of Administrative Services and Procurement Quality Standards		*		
Need for More Effective Controls Over Computerized Payroll Processing Operations				
Study of Department Utilization of Economic Intelligence to Improve Intelligence Support, and Creation of a Secure Environment for the General Handling of Intelligence Information	D			1/
Organization and Mission of the Department	P			2/
Impact of Federal Reorganizations on the Department	P			
Role and Organization of the Domestic and International Business Administration				

1/ Classified
2/ In Preparation

	1977			
P	1	2	3	4
	D			
	*			
	D			
	D			

Information Policy Issues

Impact of the Consolidation of Federal Statistical Function

Status of the National Technical Information Service

Joint State/Commerce Evaluation of the Commercial Function

OFFICE OF ASSISTANT SECRETARY FOR POLICY

	1977			
P	1	2	3	4
• International Trade and Investment Policy Issues				
o Multilateral Trade Negotiations	P *			
o Special and Differential Treatment for Developing Countries	D			
o Protection of U.S. Foreign Investments	*	*		
o Foreign Expropriation of U.S. Assets Abroad	*			
o Foreign Investment in the U.S.				
o Domestic International Sales Corporation (DISC) and Foreign Export Tax Incentives	*	*		
o Export Financing	*	*	D	
o U.S. Tax Treatment of Foreign Income	D			
o Trade Practices of the European Community			*	
o Trade and Investment Practices of Canada		*		
o Japan's Trade Surplus with the U.S.	D			
o International Trade and Investment in Services	*			
o U.S. Generalized System of Preferences	*	*		
o Receptivity of LDCs to Foreign Investment			*	
o LDC Foreign Indebtedness				
o Technology Transfer and U.S. Trade		*		*
o Brazil's Aviation Fuel Tax	D			
• Energy Policy Issues				
o Natural Gas Pricing	P *			
o Decontrol of Petroleum Prices	P *			
o Energy Tax Policy				

	P	1977 1	2	3	4
o Energy Conservation Policy and Implementation of Current Programs	P	D			
o Impact of Clean Air Act on Coal Use and Development		D			
o Synthetic Fuel Financing					*
o Outer Continental Shelf Leasing Legislation			*	*	*
o Alaskan Oil Transportation	P	D			
o ALaska Natural Gas				D	
o Oil Company Divestiture and Petroleum Marketing Practices Legislation		D			
o Energy Development Impact Assistance for Interior States		*			
o Energy Conservation Contingency and Rationing Plans		*			
o Strategic Petroleum Reserve					
o International Energy Supply and Demand					
o Energy Trade with Canada and Mexico					
o U.S. Role in the International Energy Agency					
o U.S. Role in the Conference on International Economic Cooperation (CIEC)					
o Role of Department of Commerce in Energy Resources Council		D			
• <u>Strategic Resources and International Commodities Policy Issues</u>					
o North/South Dialogue on Commodities--Process	P	*	*	*	*
o Common Fund		D			
o Individual Commodities Discussions under UNCTAD Resolution 93(IV)		*	*	*	*
o Food Import Policies		*	*		
o International Grain Reserves Policy					

	P	1	2	3	4
o Strategic versus Economic Stockpiles		*			
o Interagency Decisionmaking on Commodity Policy		D			
• Oceans Policy Issues					
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o Implementation of the Fisheries Conservation and Management Act (1976)	P	D			
o Deep Seabed Legislation	P	D			
o Energy Issues Related to Implementation of the Coastal Zone Management Act		D			
• Special Studies					
o Broadened Employee Stock Ownership		*			
o Locks and Dam 26		D			
o User Charges on Inland Waterways					D
o Extending Right of Privacy Legislation to the Private Sector			*		
o Ensuring Adequate Health Care at Reasonable Costs		*			
o Impact of National Health Insurance on Business					
o The Civil Air Transport Industry: Implications for U.S. Government Policy of Domestic and International Trends					
o Government Policy and International Civil Aviation		D	*		
o Shifts in the Inflation-Unemployment Trade-Off Relationship					
o National Economic Planning: Processes, Targets, Techniques					
o First Amendment Considerations Relating to Federal Financial Assistance for Cable-TV Systems		*			
o Improving Municipal and Social Services: The Private Sector's Role		*			
o Corporate Social Responsibility: The Government's Role					

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o Implementation of the Fisheries Conservation and Management Act (1976)	P	D		
o Deep Seabed Legislation	P	D		
o Energy Issues Related to Implementation of the Coastal Zone Management Act		D		
o Reducing Porpoise Mortality		*	*	
o Marine Minerals Jurisdiction		D		
o Resources for Implementing New Legislation				

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o Need for and definition of Export Promotion Policies	P	D			
o Role and composition of President's Export Council		D			
o State/Commerce Commercial Relationships		D			
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o Materials Policy and Federal Organization for Materials Policy					
o Economic Health of the Aerospace Industry		*			
o U.S./Canadian Automotive Products and Parts Trade Imbalance			*		
o Telecommunications-Government Regulation and Monopoly versus Independence					
o Products Liability Program	P	D			
o International Labor Organization Withdrawal Question		*	*	D	
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o Business-Consumer Relations		D			
o Ferrous Scrap					
Bureau of Resources and Trade Assistance					
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o PRC Textile trends					
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o Footwear imports		*			
o Import Problem--Steel		*			
o Import Problem--Specialty Steel					

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P	1	2	3	4
	*	*	*	
P				
	D			
P	*	*		
	*			
	*			
	D			

- o Import Problem--Consumer Electronics Products

Bureau of East-West Trade

- o Normalization of Trade Relations with People's Republic of China
- o The Trade Act of 1974 and East-West trade
- o Appropriate role of the Department in East-West policy
- o Controls on the transfer of technology and export of high technology goods to Communist countries
- o Normalization of commercial relationships with Cuba

Office of Energy Programs

- o Relationships between DOC and the Business Community
- o Industrial Conservation: Division of Responsibilities between FEA and DOC.
- o Energy Export Policies and Levels

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	P	1977 1	2	3	4
o U.S./U.S.S.R. Maritime Agreement	P				
o Dry Bulk Carriers					
o Outlook for construction contracts					
o CDS rates					
o Seatrain Yard					
o Proposed regulations for CDS program			*		
o Cargo Preference	P				
o Virgin Islands - Jones Act		*			
o West Coast Oil Surplus and U.S. Flag Tankers	P			*	
o LNG Ship Construction					
o Maritime Administration claim for Breach of Contract by Hawaiian International Shipping Corporation		*			
- Pursuit of litigation regarding default on CDS contracts					
o Renewal of current ODS contracts					*
o OD Subsidies - Examination of the system		*			
o Position of M&R, H&M, P&I subsidies					*
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o Disposition of the NS Savannah			*		
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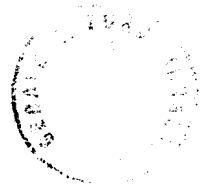
o Federal Recognition of Expo '82 and Subsequent Expos		D			
o Federal Funding of Expo '81 and other U.S. Expositions					
o Departmental Position on Senate's National Tourism Policy Study		*			D
o Legislative Extension of Department's Tourism Authority		D			
o Future Direction of Joint Government Travel Industry Domestic Tourism Promotion Program		D			
o Travel Advisory Board Agendas and Appointments					



SCIENCE AND TECHNOLOGY

	P	1977 1	2	3	4
o Resource Assurance: Skilled S&T Manpower Development.					
o Resource Assurance: Adequate and Stable Basic R&D Support.					
o Government Loans and Grants for Industrial Research and Development					
o Federal Support of Industrial R&D: Tax Measures					
o Educational Publications					
o Credibility of Scientific Information					
o Innovation Information for State and Local Governments					
o Consumer Technology Information Services					
o Standards Generation					
o Funding of Commercialization of Selected Government Inventions					
o Stimulation of Innovations Through Federal Procurement Policy					
o Federal Patent Policy		D			
o Modifications of Antitrust Laws to Permit Cooperative R&D					
o Modification of Regulatory Inhibitions of Innovation					
o Treasury Initiatives for New Technical Enterprises					
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o Improved Export Control of Design and Manufacturing Technology					
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o Environmental Energy Conservation in Industry		*	*	*	*
o Improvement of Environment Impact Procedures for Industry Projects			*		
o Impact of Environmental Law and Regulation	P				
Office of Product Standards					
o Implementation by Department of Commerce and other members of the Interagency Committee of Standards Policy (ICSP) of the policy principles developed by ICSP to be followed uniformly by all Federal agencies in working with non-Federal standards-setting bodies.		*			
o The National Voluntary Laboratory Accreditation Program		*	*	*	*
o Institution of the National Voluntary Consumer Product Information Labeling Program		D			
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o DOC Responsibility for Governmentwide ADP Planning System and PL 89-306			*		
o Recycled Oil - Congressional Pressures and Measurement Realities				*	
o Department of Commerce Response to S. 3555 "The National Voluntary Standards and Certification Act of 1976."					
Office of Telecommunications					
o Rewriting the Communications Act of 1934					
o Consumer Communications Reform Act					
o Formulation of a National Telecommunications Agenda					
o Telecommunications Organization and Roles			*		

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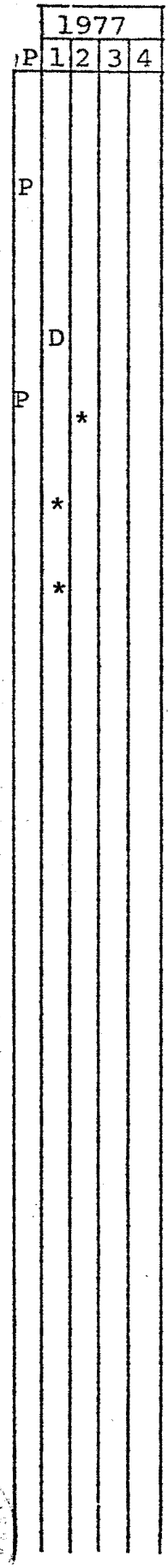
- o Patent Reform Legislation — *
- o Patent Examination Quality — D
- o Improved Paper Handling
- o Trademark Registration Treaty — D

ECONOMIC DEVELOPMENT

- Lack of Federal economic development goals and objectives
- Proliferation of programs affecting economic development
- Reexamination of EDA's investment strategy
- Optional levels of funding for EDA including new program authorities
- Demand for Local Public Works Capital Development and Investment Program Funds
- Use of EDA's Title I Funds for the 1980 Winter Olympics



FIRE PREVENTION AND CONTROL

	1977			
P	1	2	3	4
o Develop Academy training programs				
o Develop the Public Education Assistance Program (PEAP)				
o Develop the Fire Data Center				
o Claims program by which reimbursement is authorized for the costs to local fire services for firefighting on Federal property		*		
o Obtain supplemental appropriation for purchase and renovation of the Majorie Webster site				
o Awards for Public Safety Officers				
o Master Planning Report				
o Implement and administer an education and training assistance program				
o Model state fire organization				

	1977			
P	1	2	3	4

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o	Promoting productivity growth	P			
o	Policies to alleviate unemployment	P			
o	Current economic outlook and macroeconomic policies	P	D		
o	Inflation and the incomes policies option				

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o	Survey of Registration and Voting Statistics		*		
o	Definition of a Farm				
o	Impact of reporting reduction program on statistics		*		
o	STATUS - A chart book of Social and Economic Trends		*		

Bureau of Economic Analysis

o	Advisory Committee on GNP statistics			*	
o	Implementation of the International Investment Survey Act of 1976		*	*	

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	1977			
P	1	2	3	4
o Use of Contracts versus Grants				
o Status of Women in the Minority Business Program	*			
o Venture Capital Needs for Minority Business	*			
o Minority Entrepreneurship vis-a-vis Minority Economic Development	*			
o Extent of Administration's Commitment to Minority Business Development	*			
o Possible Obsolescence of Current Strategies for Minority Business Development	*			

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	P	1977 1	2	3	4
o Need for Appointment of Federal Cochairmen		D			
o Designation of New Commissions		*			
o Funding Levels		*			
o Program Tools; and					
o Excess Property Phase-out		*	*	*	*

GENERAL ISSUES OF SPECIAL DEPARTMENTAL CONCERN

1. Arab Boycott Policy: Legislative Analysis
2. Capital Formation and Investment Policy
3. Direction of the Office of Minority Business Enterprise Program
4. Department of Commerce Reorganization Analysis
5. East/West Trade
6. Economic Outlook/Approaches to Recovery
7. Energy Issues
8. Implementation of Fisheries Conservation and Management Act of 1976
9. High Technology Export Policy Review
10. Intelligence Community Support Study
11. Jobs Program
12. Legislative Priorities Analysis (see separate Legislative Issues volume)
13. Law of the Sea/Deep Seabed Mining Policy Review
14. Multilateral Trade Negotiations (MTN) Choices and Strategy
15. North/South Policy Review
16. Questionable Payments/Code of Conduct
17. Role of the Bureau of the Census
18. Social Indicators/Quality of Life
19. Federal Water Pollution Control Act Amendments Review

GENERAL COUNSEL

- Arab Boycott of Israel
- Disclosure of Boycott Reports
- Questionable Corporate Payments Abroad
- Amendments to the Clean Air Act
- Amendments to the Federal Water Pollution Control Act
- Secretarial Delegation of Rulemaking and Adjudication Authority
- Application of Davis/Bacon Standards to "Force Account" Projects Funded under the Public Works Act
- Consumer Communications Reform Act

ARAB BOYCOTT OF ISRAEL

Background: The Arab boycott of Israel has been a high intensity legal, political and legislative issue during the past 18 months. It has, however, existed since the founding of the State of Israel. It is often said to have three aspects: (i) the primary boycott whereby Arab countries refuse to do business directly with Israel; (ii) the secondary boycott whereby an Arab country may refuse to do business with a business concern of a third country because of that business concern's economic relations with Israel; and (iii) the so-called tertiary boycott whereby a firm may be asked to refuse to do business with other firms because of those firms' economic relations with Israel. The lines between these three manifestations of the boycott are not always clearly drawn, but the distinctions are useful for any discussion of the boycott.

In 1965, the Congress, in an amendment to Export Administration legislation, stated that it was the United States' policy to oppose the Arab boycott of Israel and to encourage and request U.S. business concerns to refuse to take any action, including the furnishing of information which would further or support this boycott. The law also requires that the Secretary of Commerce adopt regulations to implement the policy of the Act and that these regulations require that U.S. concerns report receipt of all "boycott requests" to the Department of Commerce.

This 1965 provision has been reenacted in subsequent extensions of Export Administration legislation. Because of a parliamentary impasse, the 94th Congress failed to extend the Export Administration Act which, therefore, expired on September 30, 1976. The President, however, as he has done on similar occasions in the past, extended the Department's Export Administration regulations pursuant to his constitutional authority and the authority of the Trading with the Enemy Act of 1917.

The substantial growth of Arab petrodollar wealth has made the Arab boycott of Israel the subject of greatly enhanced concern on the part of the Jewish community in the United States. Contrary to widespread public belief, boycott requests which discriminate on religious or ethnic grounds are extremely rare. The boycott is intended and generally applied solely as an economic weapon against Israel. There now exists concern that this economic weapon, relatively ineffectual in the past, may become effective.

During the 94th Congress, boycott-related provisions were proposed as amendments to the Tax Reform Act and to Export Administration extension legislation. Only the Tax Reform provision was enacted into law. However, both the House and Senate passed boycott-related provisions as amendments to the Export Administration Act extension. The Senate bill, authored by Senator Stevenson, was principally directed at the tertiary aspect of the boycott. It proscribed refusals to deal by one U.S. firm against another pursuant to a boycott-related request. The House bill, sponsored by Congressmen Bingham and Rosenthal, was directed at both tertiary and secondary aspects of the boycott. In the judgment of many, it would have made the conduct of business with a number of Arab countries virtually impossible -- unless those countries would have been willing, in response to the legislation, to moderate their boycott stands. An informally convened House/Senate Conference, seeking to reconcile the Senate and House approaches agreed, in the closing days of the last Congress, on a compromise bill. This compromise in effect marries the House and Senate approaches but provides certain specific exemptions to the broad prohibitions set forth in the House bill.

On October 7, 1976, President Ford directed that boycott reports subsequently filed with the Department of Commerce be made available for public inspection and copying. Reports previously were deemed to be confidential. Such prospective disclosure of boycott reports would have been required by both the House and Senate bills. It was an especially important feature of the Senate bill which was frequently described as a "disclosure" approach.

The disclosure of these reports has led to controversy and confusion over what constitutes "compliance" with the Arab boycott of Israel. Business concerns whose names have appeared in the media as "complying" with the boycott, as a result of this disclosure, have argued that they in no way actively boycotted Israel. Rather, they simply furnished informational certificates to Arab importers. Under the 1965 Act, simple furnishing of information, such as a certificate stating that goods being shipped do not have their point of origin in Israel, constitutes "compliance," since giving such information enables the Arabs to enforce their boycott. No civil or criminal penalty exists for such "compliance," but it does contravene stated national policy. On the other hand, the boycott amendment to the Tax Reform Act penalizes only the more active forms of boycott "compliance."

i.e., where there is an actual agreement between an American firm and an Arab entity to boycott Israel or a blacklisted American firm.

Issue: Export Administration extension legislation should be addressed early in the new Congress. Boycott-related language will be proposed -- most probably the compromise agreed upon by the informal House/Senate Conference at the end of the last session of Congress. The Department of Commerce and the Administration must decide what position to take with regard to this proposed legislation.

Analysis of Issue: During 1976, the Ford Administration opposed enactment of any anti-boycott legislation, deeming it to be unnecessary, untimely, and possibly damaging to U.S. vital interests in the Middle East. Two days before Congress adjourned, the White House signaled that the Administration would be willing to accept legislation such as that which passed the Senate, providing its refusal to deal language were to be narrowed to forbid refusals to deal pursuant to an agreement or understanding but not to preclude unilateral business choice by U.S. firms. In addition, during the 94th Congress, the Administration introduced legislation which would forbid use of economic means to discriminate against any person on the basis of race, color, religion, sex or national origin. The Administration consistently opposed legislation which would seek to ban any compliance with the so-called secondary aspects of the boycott. The House/Senate compromise language exempts certain commonplace actions in compliance with the secondary boycott, but forbids others. A decision must be reached whether to support the House/Senate compromise or to seek to modify it prior to enactment. If the latter decision is made, proposed amendments should be developed.

Those designing any legislative approach on this subject should keep in mind that: (i) the Arab boycott countries consider the boycott to be a legitimate economic weapon against a belligerent country; (ii) it is doubtful that they would relax the boycott in response to U.S. legislative pressures; (iii) U.S. exports to Arab countries will total $7.5 billion in 1976, but this represents only about 15 percent of the combined import market of Arab countries; (iv) as has been demonstrated by the reports disclosed by the Department of Commerce during the past two months, the great majority of boycott requests do not involve discrimination against American citizens or agreements to refusal to deal by one U.S. firm against another -- rather, they involve simple factual certifications; and

(v) most importantly, the only means to end the Arab boycott of Israel is a permanent and lasting peace settlement in the Middle East -- the U.S.' ability to play a constructive role for peace depends upon our capacity to maintain the confidence of both the Arabs and the Israelis.

In light of the above-stated concerns, pains must be taken to see that whatever legislation is enacted is moderate and sensible.

Schedule: There is no ongoing Administration analysis of Arab boycott legislative options for the new Congress. The Congress may take up this issue as early as January. Informal work is proceeding, within the Department of Commerce, to define certain modifying amendments to the House/Senate compromise. This is an issue which the incoming Administration will need to address immediately.

DISCLOSURE OF BOYCOTT REPORTS

Background: The receipt of boycott-related requests must be reported to the Department of Commerce. The reporting of such requests has been mandatory for exporters since January 1, 1966, and for related service organizations (such as banks, freight forwarders, insurers and carriers) since December 1, 1975. Through mid-October of 1976, approximately 54,000 reports have been received by this Department.

Historically, the reports have been held confidential under the provisions of Section 7(c) of the Export Administration Act, which requires the Secretary of Commerce not to disclose the information unless he determines that "the withholding thereof would be contrary to the national interest." Accordingly, requests for the reports have uniformly been denied on the basis that the release would violate statutory assurances under Section 7(c) to the reporting entity, reflected on the reporting form itself, that the material would be treated as confidential.

The greatly increased concern over the Arab boycott of Israel during the past 18 months has led to requests from Congressional committees and the public for disclosure of these boycott reports.

The 94th Congress failed to enact legislation extending the Export Administration Act beyond its stated expiration date of September 30, 1976. However, both the House and Senate passed amendments which would have required only prospective disclosure of boycott reports. In accordance with the apparent Congressional intent, the President, on October 7, 1976, directed the Secretary of Commerce to make available to the public copies of all reports of boycott-related requests which were received by American firms on or after October 7, 1976. Pursuant to this Directive, approximately 1,380 such reports have been made public as of November 19.

Issue: Numerous Freedom of Information Act requests have been received for the roughly 53,000 boycott reports which are not subject to the Presidential Directive and have not been made public. Prospects are that this issue will be faced early and regularly by the new Secretary.

Analysis of Issue: New legislation extending the Export Administration Act is expected to be enacted early in the next Congress. Traditionally, such legislation has been made retroactive in effect to the date of expiration of the Act -- in this case October 1, 1976.

Until new Export Administration legislation is enacted, the Department has decided to deny requests for retroactive disclosure of boycott reports, i.e., disclosure of names of companies on reports filed prior to October 1, 1976. Technical legal issue may be drawn with this decision since Section 7(c) of the Export Administration Act is no longer in effect.

The Department has pending before the Comptroller General a request for an opinion as to whether the Department's appropriation bill, which appropriated funds under the Export Administration Act, in effect continues the authorizing legislation -- the Export Administration Act. The Comptroller General has recently ruled on two occasions that this indeed would be the outcome under similar circumstances. If the Comptroller General rules in our favor, then we may claim that Section 7(c) confidentiality exists, even after September 30, 1976.

An additional complexity will arise in March of 1977, when the provisions of the so-called Sunshine Act, passed by the 94th Congress, come into effect. These provisions limit the exception for statutorily exempt materials under the Freedom of Information Act. The sufficiency of Section 7(c) may be challenged. Even if Section 7(c) does not meet the test of the Sunshine bill, we would continue to argue, absent specific Congressional direction to the contrary, confidentiality should be continued to be accorded to reports filed with the Department, pursuant to a pledge of confidentiality, prior to October 1, 1976.

We believe this to be the correct outcome in a policy as well as a legal sense. Retroactive disclosure of these reports could stigmatize companies which, but for a pre-existing stigma, might choose to resist boycott requests under the current public disclosure policy.

Schedule: Requests by Bella Abzug and Ralph Nader for this information have been denied by the Office of Export Administration. Abzug and Nader have the right to appeal to the Secretary of Commerce. Other requests can be expected. As noted above, additional pressures will result

when the Sunshine bill comes into effect in March of 19[illegible]. Passage of new boycott-related legislation as part of the Export Administration Act extension, prior to March 1, 1977, if it addresses this issue, could help clarify the situation.

QUESTIONABLE CORPORATE PAYMENTS ABROAD

Background: During the past 18 months, SEC and legislative actions have forced disclosure of improper or illegal payments made by U.S. corporations to officials or agents of foreign governments. Because of public concern generated by these disclosures, the President established a Cabinet-level Task Force, chaired by the Secretary of Commerce, with a mandate to "conduct a sweeping policy review and make recommendations." The Task Force moved ahead on an expedited schedule in order to make legislative recommendations prior to the end of the 94th Congress. On June 14, 1976, after study of the Task Force's findings and recommendations, the President announced his intention to propose legislation addressing the problem and to place a high priority on efforts to achieve a binding multilateral agreement on the subject. On August 2, 1976, the President forwarded to Congress the Foreign Payments Disclosure Act, which would require disclosure to the Secretary of Commerce, with eventual public disclosure, of all payments made by American businessmen to foreign officials or government-owned or controlled entities in connection with the sale of products or services. At the same time, the President made clear that, in his judgment, the most desirable final solution would be an international agreement. To this end, efforts are currently being made under UN auspices for negotiation of an effective multilateral convention.

Issue: Whether the Department should support disclosure legislation, such as the Foreign Payments Disclosure Act, direct criminalization legislation, a combination of the two, or none at all.

Analysis of Issue: The Task Force considered in detail the different approaches, including simply the stepped-up enforcement of present law by the various responsible agencies, e.g., the SEC and IRS. The Task Force determined that existing laws were not sufficient to deal with the full scope of the problem of improper corporate payments abroad, and thus legislation was indeed necessary. With regard to direct criminalization, the Task Force concluded that, while this would constitute the most effective rhetorical response to the problem of improper corporate payments abroad, it would be difficult, if not impossible, to enforce such a law in the absence of multilateral (or at least bilateral) treaties. In the full and fair prosecution or defense of a

typical criminal action in which guilt must be proved "beyond a reasonable doubt," it may well be necessary to call witnesses and subpoena documentary information beyond the reach of U.S. judicial process. Such unenforceable criminal laws can, themselves, have a corrosive effect on society.

The most effective legislation for the present time, in the opinion of the Task Force, would be disclosure legislation, which would not suffer from the problems of proof inherent in a direct criminalization approach, and which, moreover, would not be bogged down by attempted fine-line distinctions between criminal and noncriminal payments. Thus, all payments would be disclosed without regard to their legality. Failure to disclose would be penalized by civil and criminal sanctions.

Schedule: It is anticipated that the Congress will address such legislation in 1977. Some acceptance of the "criminalization" approach may be the price that must be paid for comprehensive disclosure legislation. The new Administration should analyze the desirability and compatibility of combining the two approaches.

The first meeting of an 18-nation working group, under United Nation's auspices, met in New York, November 15-19, to begin discussions of a possible international agreement to curb illicit payments in international commerce. Additional meetings of the working group have been scheduled for January 31-February 11 and March 28-April 8. The working group has been charged to "elaborate in detail the scope and contents of an international agreement to prevent and eliminate illicit payments in whatever form, in connection with international commercial transactions," and to report to the UN's Economic and Social Council (ECOSOC) by August, 1977.

Amendments to the Clean Air Act

Background

The Clean Air Act (CAA) Amendments of 1970 provided for an ambitious program to clean up the nation's air by 1975, or 1977 at the latest. National standards were to be set for ambient concentrations of pollutants based upon health (primary standards) and welfare (secondary standards). In order to meet these standards and generally to improve air quality, national standards of performance were to be set for new sources of pollution and states were to develop State Implementation Plans to control pollution from existing sources. National mobile source standards were to be set for motor vehicles to reduce emissions of HC and CO by 90% by 1975 and of NOx by 90% by 1976. These dates were subsequently extended to 1977 and 1978, respectively, because of the industry's difficulty in meeting them.

A judicial decision interpreting the CAA requires EPA and the states to take action to prevent the degradation of the quality of air in so-called clean air areas - areas where the national ambient standards are not currently exceeded. No specific guidance was provided as to what these actions should be.

Industry has been having difficulty in meeting the standards set under implementation plans by the statutory deadlines. The ambient standards and plans to meet them are also said to prevent or severely limit economic growth in "dirty areas" where the standards are currently exceeded. Auto companies have not been able to meet interim deadlines and have applied for and received some delays. It is generally agreed that the ultimate NOx standard cannot be met and that the strict deadline for auto emission clean-up locks companies into the single, most immediately promising technology by precluding technological research and development of alternate engine and emission equipment. New fuel economy standards make tighter emission control much more difficult. EPA regulations to prevent significant degradation of clean air areas have been attacked on the one hand by environmentalists as not covering enough pollutants from enough sources as stringently as necessary and by industry on the other as tantamount to a no-growth policy which will result in economic stagnation. Such considerations led the 94th Congress to consider legislation which would extensively revise the CAA. There was considerable divergence of views in Congress concerning the need for various amendments and the form they should take. The Senate and the House passed bills differed significantly. Proposed compromises with major stationary source industries and the auto companies were ultimately rejected by the Conference Committee and the bill died in a Senate filibuster at the end of the Session.

Issue

Departmental response to any Clean Air Act amendments offered in the 95th Congress. Major provisions of potential legislation may include:

1. Auto emission standards
2. Prevention of significant deterioration in clean air areas.
3. Industrial expansion in dirty air areas.

Analysis of Issues

1. Some amendment of the NOx auto standards must pass by mid-summer or auto companies will be forced to produce non-qualifying cars or shut down. No manufacturer can meet the present CAA standards for the 1977 cars which will go on sale in late summer. A bill providing for relaxed standards over several years would provide industry a fixed, realistic schedule which would allow for development of alternative approaches such as diesel and stratified charge engines and would assist in meeting fuel economy standards. Congress may consider auto standards separately from other CAA amendments; it may consider only a one year extension of current standards leaving the question of future standards open; or they may consider another omnibus bill such as the one last Congress. Commerce has supported the Dingell-Train approach of a five year, two step approach to meeting the statutory standards with adjustments to the ultimate NOx standard.

2. Significant deterioration legislation may involve issues such as designation of certain areas where no growth will be allowed, such as national parks, buffer zones around such areas, designation of other areas where some growth may be allowed, the amount of growth, the level and type of control technology required, etc. Commerce has advocated that any system to prevent significant deterioration should be carefully analyzed prior to enactment to determine optimum trade-offs between environmental protection and adequate economic growth. Prior legislation involved only brief studies of the potential effect upon the public utility industry.

Unless some provision is made for economic growth in current facilities and construction of new facilities, economic growth in so-called dirty areas, where the ambient standards are exceeded, will end. The more restrictive significant deterioration rules for clean

areas become, the more acute this problem becomes, if national economic growth is to continue. Commerce has supported allowing expansion in nonattainment areas where the primary, health-based standards are not exacerbated. Emission trade-offs should be allowed between old and new facilities and between sources on a regional basis.

Schedule

Department activities are dependent upon Congressional initatives, both as to timing and subject matter.

AMENDMENTS TO THE FEDERAL WATER POLLUTION CONTROL ACT

Background

The Federal Water Pollution Control Act (FWPCA), as substantially amended in 1972, provided for a comprehensive program of water pollution control which would provide fishable-swimmable water by 1983 and the elimination of the discharge of pollutants by 1985. To reach these goals, standards were to be set for categories of industrial discharges requiring the application by 1977 of the best practical control technology (BPT) balancing cost with effluent reduction. By 1983 these industries would be required to achieve the best available technology (BAT) for controlling pollution. Publically owned sewage treatment works were required to achieve secondary treatment by 1977. Standards would also be set for toxic pollutant discharges and for all new sources. The standards would be applied to individual dischargers through a National Pollution Discharge Elimination System (NPDES) permit process.

Effluent Guidelines for industry, which were to be published in the first year after enactment, (1973), are still being published. Further, over 200 suits have been filed challenging the standards and there have been a large number of administrative and legal proceedings contesting permits issued under the standards. As a consequence, a large number of industrial dischargers will not have BPT in place by the 1977 deadline. Sewer plants, hampered by a lack of funding and an inefficient sewer grants program, will not meet the deadline in large numbers. It has also been found that costly treatment will be required under the statute in certain instances where is little or no environmental benefit, such as basic oxygen demand treatment for open ocean discharges. Permit writing authorities have little flexibility in applying standards and this leads to unnecessary cost in pollution control.

It has also become clear that the 1985 goal of no discharge cannot be met in many instances and in others can be met only through disproportionate expenditures. Other deficiencies have become apparent such as the unworkability of the toxic pollutants section of the Act.

The FWPCA provided for the creation of a National Commission on Water Quality to study implementation of the Act and to recommend "mid-course corrections". The Commission issued a final report in 1976 making some major legislative recommendations to improve FWPCA. These were based upon the conditions mentioned above and included such things as granting extensions and allowing for modification of the 1977 requirements, redefining the 1985 goal and granting extensions and allowing modifications of the 1983 requirements designed to meet that goal and improving the sewage treatment facilities program.

Issue

Department position on amending the FWPCA in the 95th Congress. Major issues may include:

1. Redefining the 1985 goal (currently no discharge);
2. Authorizing extensions of the 1977 BPT deadline in certain instances;
3. Allowing flexibility in applying BPT plant-by-plant or category by category;
4. Extending or modifying the 1983 BAT requirement on cost/benefit basis;
5. Amending toxic pollutant standards section to make it workable;
6. Providing for flexibility in pretreatment standards;
7. Revising penalty section for discharge of hazardous substances from vessels to make it workable;
8. Adding a workable wetlands protection provision; and
9. Revising of the sewer grants program extensively.

Analysis of Issue

1. While it is clear that the 1985 no discharge goal cannot be met and should probably be changed to emphasize the conservation and reuse of resources, there will be resistance to so doing. It may be more practical to keep the goal as a long term objective and reorient the 1983 BAT requirements, as EPA suggests; however, Commerce supports a legislative change.

2. Legally sanctioned extensions of the 1977 BPT requirements are desirable; however, EPA believes that they can use Compliance Orders under which firms missing the deadline but attempting good faith compliance will not be prosecuted. Commerce favors amendment giving statutory support for such extensions.

3. Flexibility in issuing permits would mitigate regional and community economic impacts in may instances at proportionately small environmental costs. EPA has attempted to accommodate such circumstances administratively in some cases, but have had their legal authority challenged. Commerce favors specific amendment to provide such flexibility.

4. Application of BAT in 1983 will result in only marginal gains over the 1977 BPT requirements and is very questionable on a cost/ benefit basis. EPA has been considering applying only toxic controls under BAT and leaving the control of common pollutants at approximately the 1977 level. Commerce favors an amendment giving specific authority to fixing BAT at a reasonable level.

5. There is general agreement that the toxic pollutants section is generally unworkable and must be amended or deleted from the Act. It could be used to control only very toxic substances, with other toxics controlled under BAT, or could be extensively rewritten. Commerce would prefer the latter approach basing control levels upon water quality considerations.

6. Because of the variability of industrial flows which go to public treatment works and the variability of these works themselves, national pretreatment standards are excessively rigid. Legal authority should be provided for adjusting pretreatment standards for individual situations. Commerce favors allowing the public treatment facility to play a dominant role in specifying the pretreatment required of industrial flows which it treats.

7. There is general agreement that the current penalties section applying to vessel discharges of hazardous substances is not workable. Commerce favors amendment.

8. There has been two years of controversy over the Corps of Engineers program to control dredge spoil and fill disposal and to attempt under these provisions to control the filling of wetlands. The current provision was designed to control discharge of pollutants rather than to protect wetlands. Broad jurisdictional claims by the Corps have resulted in opposition from agricultural interests which fear government permitting of many of their activities not located in true wetlands. Commerce favors deleting the current provisions and replacing them with a narrowly tailored wetland protection provision.

9. A more responsive sewer grant program is broadly favored. Commerce supports amendments to effectuate this.

Schedule

OMB is working with an interagency task force to attempt to develop at least on a staff level, an Executive Branch bill amending FWPCA. Identification of the issues and options for resolving them will be accomplished by December 1, 1976. Commerce will submit an issue and options paper by that deadline. Additional staff work and policy consideration of an Administration initiative should take place in the first and possibly the second quarter of 1977.

Congressional initiatives in this area could come during the first two quarters of 1977 and the Department would have to respond as seems necessary or desirable.

SECRETARIAL DELEGATION OF RULEMAKING AND ADJUDICATION AUTHORITY

Background: All authorities to administer the Department and all functions assigned to it are properly vested in the Secretary by statute or other law. Any legislation giving authority directly to subordinates is undesirable. There are at present very few of these latter instances. The Secretary then delegates his authority to other officers, with power to redelegate. These delegations may be made with or without specified reservations or restrictions.

A variety of statutes administered by the Department involve in their implementation: (1) rulemaking -- substantive or procedural, (2) adjudications, or (3) other determinations -- all of which affect the public or segments thereof. Some of these rules or determinations need take into consideration issues or interests which are of concern from a Secretarial viewpoint -- e.g., impact on U.S. relations with other governments, Federal - State relationships, other national policy effects, or substantial economic or political effects. The Secretary may wish in such instances to participate in the decisional process, either by retaining the decisional authority or to be consulted before decisions are made.

However, under existing law, i.e., essentially court decisions, the Secretary or other officials may be foreclosed from such participation in numerous instances unless the delegation or the rules expressly provide for such retention of authority. The General Counsel is presently examining for consistency and appropriateness, the delegations of authority made by the Secretary through the years, and whether in all instances the delegations reflect a desirable assignment of decisional responsibilities. Preliminary analysis shows wide diversity between delegations and the degree of authority retained by the Secretary. The logic for this diversity is not apparent.

Issue: From this reexamination, and an assessment from past experience or contemplated impact, do each of the Departmental delegations now provide for involvement of the Secretary to the extent he may deem such involvement appropriate or necessary?

Analysis of Issue: The question is particularly relevant in those situations where the authority involves regulatory functions or financial assistance programs. While the Secretary should not be involved with minor or routine

decisions, he may well wish to be involved when particular rules of general applicability or specific determinations have significant public impact with respect to which he wishes to retain some say.

The Secretary also may wish, in specific instances, to make sure that the subordinate official to whom final decision-making authority is delegated is on a high enough level (i.e., no redelegation beyond such official). The delegation document also may have to consider whether and in what circumstances an appeal from a decision below may be properly made to the Secretary before final administrative action is deemed to have occurred, from which aggrieved persons may then go to court.

The newly-enacted Government in the Sunshine Act (P.L. 94-409), which circumscribes ex parte communications, also needs to be considered in those instances where Departmental proceedings are to be made on a record after a hearing (formal rulemaking or adjudication).

Each statute (or Executive order) giving authority to the Secretary needs be examined in view of the various considerations, including how "activist" a Secretary may wish to be or should be.

Schedule: A preliminary review of this subject should be completed by January 20, 1977 so that the incoming Administration can have the benefit of our analysis of outstanding delegations and their implications for effective Secretarial performance. Actual decision with regard to the implications of this analysis should, of course, be made by the new Secretary, with advice from the Departmental staff.

Application of Davis-Bacon Standards to "Force Account" Projects Funded Under Programs of the Economic Developme: t Administration.

BACKGROUND: EDA administers the Public Works and Economic Development Act of 1965. Section 712 provides as follows:

> "All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5)." (Emphasis supplied)

By a letter dated April 1, 1976, the Secretary of Labor advised the Secretary of Commerce that he had made a ruling for purposes of Title X of the Public Works and Economic Development Act on the meaning of the term "contractor" as used in Section 712. His definition covered many Title X grant recipients who performed construction work by the direct hire of a work force, so-called "force account" projects, rather than by the entrance into contracts with independent contractors. Previous to this ruling there had been a long standing interpretation that public bodies carrying out work on a "force account" basis were not subject to Davis-Bacon wage rate requirements.

The Secretary of Labor requested that a copy of his letter be sent to each of the participating granting and lending agencies under the Title X Program. The Secretary of Commerce did so, but accompanied each copy with a copy of his return letter in which he stated his opinion that the Secretary of Labor had no authority retroactively to impose Davis-Bacon wage standards to projects under the Title X program. There the matter stood, until the Secretary of Labor by his letter of October 27, 1976, advised the Secretary of Commerce that his ruling on the meaning of the term

"contractor" for §712 purposes applied not just to Title X of the Public Works and Economic Development Act, but to the entire Act. Moreover, he advised that his interpretation applied to the Local Public Works Capital Development and Investment Act of 1976, Public Law No. 94-369 (also administered by EDA) because the language of Section 109 of that Act is the same in substance as the language of Section 712. His rulings would raise substantially the cost of "force account" projects assisted by EDA, and consequently reduce the number of persons who can benefit from employment pursuant to this Act.

ISSUE: The question is whether the Secretary of Labor has authority to determine that grantees under the Acts administered by EDA who are carrying out project work on a "force account" basis are "contractors" within the meaning of the appropriate provisions of the Act, and may therefore be required to pay Davis-Bacon wage rates.

ANALYSIS OF ISSUE: The Department of Labor's analysis, as expressed in the two letters of the Secretary of Labor, is that Congress intended, as demonstrated by the language of Section 109 and Section 712 and language in the Conference Report that accompanied Title X, that Davis-Bacon labor standards apply to construction work assisted by EDA grants. Therefore, the Secretary of Labor, according to his statutory authority to prescribe standards and regulations, can provide a definition for "contractor" within the meaning of Section 109 and Section 712.

EDA recognizes the authority of the Secretary of Labor to prescribe appropriate standards and regulations as authorized by Reorganization Plan No. 14 of 1950 and 40 USC §276c, but denies that his determination to include grantees carrying out "force account" work within the definition of "contractor" is within that authority. EDA maintains that the relevant provisions use the word "contractor" because Congress intended to

exclude work done by direct employment from the provisions of the Davis-Bacon Act. This intent is evidenced by the decades-long recognition by Congress of the distinction between work done by contract and direct employment. The distinction has also been recognized in an opinion of the Attorney General, in a federal court case, and in rulings by the Department of Labor.

SCHEDULE: The Department of Commerce is requesting that the Attorney General give an opinion to settle the matter. Assuming the Attorney General resolves the matter, if his decision is to have any effect on this year's program, it is imperative that we receive it by December 15, 1976, because that it when project approval begins.

DoC Position before 95th Congress on
Consumer Communications Reform Act

Background: Within the past decade, both the FCC and the Antitrust Division of the Justice Department have increasingly brought about two forms of private competition with AT&T and the other traditional communications common carriers:

(1) Competition for private line services from specialized common carriers; and

(2) Interconnection of customer provided equipment with the nationwide switched telephone network.

During the second session of the 94th Congress, a controversial bill entitled the "Consumer Communications Reform Act" (CCRA) was introduced in both houses of the Congress. It would have severely limited--and possibly eliminated--both types of competition. The bill received strong support from the traditional common carriers, but was opposed by the FCC and industries competing with the traditional common carriers because of the adverse effect it would have on competition.

Issue: The CCRA will very likely be reintroduced in the 95th Congress, and, if so, the Department will be expected to comment on it. In such event, the issue facing the Department is what position it should take on the proposed legislation, including recommendation of a constructive alternative, if possible.

Analysis of Issue: Upon introduction of this bill and request for comment, the Department's Office of Telecommunications (OT) will prepare a recommended Department position on the bill, which, because of the bill's controversial nature, will require careful attention and review by the Assistant Secretary for Policy, the Chief Economist and the General Counsel. The OT recommendation will be based upon a small study of the probable effects of one or more alternative sets of industry structure/regulatory limitations, which could be

imposed by the Congress, or perhaps the FCC, to achieve a more balanced position between the current extremes now being advocated by the interested parties.

Schedule: OT is tentatively expecting to complete its study in March or April of 1977. A more detailed decision concerning the study's depth and duration will be made in December, following completion of preliminary analysis now under way and determination of FY 77 personnel ceilings for OT.

Appendix: The attached Abstract of Secretarial Correspondence, dated June 18, 1976, from the Assistant Secretary for Science and Technology provides further information on this issue with regard to the bill introduced in the 94th Congress. For brevity, Tabs A, B, and C referenced in the Abstract are not attached.

U.S. DEPARTMENT OF COMMERCE

ABSTRACT OF SECRETARIAL CORRESPONDENCE

The Secretary		The Under Secretary

JUN 18 1976

From: Assistant Secretary for Science and Technology

Subject: Briefing Paper on the "Consumer Communications Reform Act of 1976" for Meeting With the Telephone Company Officials, June 21, 1976

Background

Within the last decade both the FCC and the Justice Department have placed increasing pressure on the major common carriers to permit not only competition via specialized common carriers but also interconnection of non-telephone owned and leased equipment.

The Department of Commerce must formulate a position on the "Consumer Communications Reform Act of 1976" which is a bill that represents the telephone companies' reaction to the above. AT&T undoubtedly wants to acquaint the Secretary of Commerce with the telephone industry's perspective in regard to that bill.

Outline of the Issues

In the area of intercity transmission, specialized common carriers provide private line service (service in which the intercity line is dedicated solely to one user, individual or corporate) in competition with telephone company private line service. Where a user's volume of traffic between two cities is large enough, private line service is less expensive than ordinary toll service.

In 1968, the FCC (relying upon a narrower 1956 decision) authorized interconnection of privately owned terminal equipment to the switched telephone network. The telephone companies responded to the decision by requiring interconnection through a telephone company provided dial and protective connecting arrangement. In 1975, the FCC authorized direct connection of customer provided terminal equipment (certified to it by the manufacturer as meeting FCC technical standards to protect the telephone network), but that

MEMO OR LETTER NO. _____

	PREPARED BY	CLEARED BY	CLEARED BY	CLEARED BY	CLEARED BY	CLEARED BY
	John Richardson	AGC/S&T				

ecision has been stayed pending review by the Fourth Circuit ourt of Appeals.

Prior to these decisions, interstate toll rates were based rimarily on distance, rather than cost. Basic local telephone ervice rates were kept low, in part by charging above cost for extension telephones and business services, and by ransferring some revenue from interstate toll service to ocal telephone companies. The FCC's authorization of competition from specialized common carriers, and sale of interconnect quipment, pressures the telephone companies toward cost-based ates. There is much controversy concerning how high some rates might have to go and this issue needs more study. In eneral, economists favor cost-based rates, but many state egulatory commissions prefer rates based on judgmental and political factors (value of service based rates), as we have had in the past. The telephone industry, because of its concern er the potential effects of competition and cost-based rates, nas prepared legislation known as the Consumer Communications Reform Act of 1976.

Current Status

e telephone companies, having been frustrated in dealing with e Executive Branch (Justice Department, OTP) as well as by FCC egulation, have been driven to seek relief directly from the ngress.

On March 4, 1976, Mr. Roncalio introduced the telephone industry egislation (H.R. 12323). While there are two versions of the ll, the thrust in both is the same: (1) elimination of alleged "cream skimming" competition by specialized common carriers; and) regulation of interconnection of non-telephone company equipnt at the state level, rather than at the present federal level.

date approximately 12 Senators and 138 Representatives have ther sponsored or co-sponsored the bill.

e OTP* (see Tab A) and the FCC in a message to Congress (see b B) have directly opposed the bill.

e Defense Department has unofficially informed this office at the need for an integrated national security communication system will require them to support the bill.

e three million American stockholders of AT&T are being lobbied o write their representatives on the issue. This obvious itical pressure cannot be overlooked.

*OTP has changed to a "neutral" position since this was written.

The supporters of the bill, besides AT&T, (see Tab C) include the United States Independent Telephone Association (USITA), National Association of [State] Regulatory Commissioners (NARUC), and the Communications Workers of America (CWA).

Opposition to the bill on the industrial side includes the Ad Hoc Committee for Competitive Telecommunications (a specialized common carrier association), and the North American Telephone Association (interconnect equipment manufacturers).

Recommendations

For the past month this office has met with the major parties in support and opposition to the "Consumer Communications Reform Act of 1976."

Both parties, although denying any compromise positions, will in the future certainly have to reassess their options. Already the chances are that Congress will not seriously consider this bill until 1977.

It is recommended that you take a wait and see attitude, but offer your good offices for further discussion between the opposing parties, those issues of direct concern to this office can be highlighted, such as telecommunications innovation.

I have instructed John Richardson of the Office of Telecommunications to continue, on my behalf, further discussions with the respective industrial points of view. I asked Assistant Secretary Darman to urge at the White House meeting that no position be taken at this time to allow further time to analyze the issue and to search for alternatives to the extremes of enacting the legislation in its present form, or doing nothing, and allowing the present course of competition to continue. At that meeting the decision was made that the administration would take no position at this time.

ADMINISTRATION

Transfer of Contract Compliance Responsibility from the Department of Transportation to the Department of Commerce.

Ensure that the Equal Employment Opportunity Enforcement Activities of the Economic Development Administration do not duplicate the Enforcement Activities of other Federal Agencies.

Administration of Public Law 89-306 in Regard to the Procurement of ADP Resources

Application of Policies for Reliance on the Private Sector (OMB Circular A-76) to ADP Requirements

Consolidation and Strengthening of Department ADP Management

System of Source Evaluation Boards and Source Selection Officials

Automated Procurement Data System

Office of Minority Business Enterprise Program Contracts

Productivity Management Program

Office of Administrative Services and Procurement Quality Standards

Need for More Effective Controls Over Computerized Payroll Processing Operations

Study of Department Utilization of Economic Intelligence to Improve Intelligence Support, and Creation of a Secure Environment for the General Handling of Intelligence Information

Organization and Mission of the Department

Impact of Federal Reorganizations on the Department

Role and Organization of the Domestic and International Business Administration

Information Policy Issues

Impact of the Consolidation of Federal Statistical Function

Status of the National Technical Information Service

Joint State/Commerce Evaluation of the Commercial Function

Transfer of Contract Compliance Responsibility from the Department of Transportation to the Department of Commerce

Background:

The Labor Department is responsible for administering the contract compliance program under Executive Order 11246 as amended.

Executive Order 11246, as amended, prohibits employment discrimination by Federal contractors or subcontractors on the basis of race, color, sex, religion, or national origin. At the present time, Labor has delegated authority for enforcing the provisions of the Executive Order to 16 Federal Agencies (compliance agencies). Labor proposes to reduce the number of compliance agencies from 16 to 10. This proposal is consistent with recommendations made by the U. S. Commission on Civil Rights in 1975.

Labor's consolidation plan provides that "supply and services" contract compliance responsibilities of the Department of Transportation be transferred to the Department of Commerce. This includes the inland maritime industries, port authorities, and commercial airlines. The Department currently has compliance responsibility for the maritime industry in coastal states. The operational aspects of the program are administered by the Maritime Administration.

The Department has expressed its support for Labor's proposed consolidation plan as a means of improving the Government's anti-discrimination program and has met with Labor representatives to discuss implementation of the plan. The Department of Transportation has protested the transfer of the commercial Airline Industry to Commerce.

Issue

The assumption of jurisdiction for inland maritime industries and port authorities is generally consistent with the mission the Department's Maritime Administration. The assumption of jurisdiction for the Airline Industry is not consistent with the mission of the Maritime Administration nor with any other

unit within the Department. Accordingly, the Department must determine if it wishes to continue to support the proposed consolidation even if this results in the transfer of responsibilities for the Airline Industry to Commerce.

Analysis of Issue:

The Department's Contract Compliance Program is one of the most effective in government for achieving equal employment opportunity for minorities and women. In addition, the program has been administered on a sound legal and administrative basis thereby avoiding industry resistence and allegations of reverse discrimination which have plagued other compliance programs. The Department has expressed a strong interest in retaining its contract compliance program. Since the Department of Labor appears determined to reduce the number of compliance agencies, the alternatives for the Department appear to be either to assume responsibility for the additional industries recommended by Labor or having its contract compliance function transferred to another compliance agency.

Schedule:

The consolidation plan is to become effective in FY 1978. The plan is now being reviewed by OMB. We are not certain when a final decision will be made by OMB.

Ensure that the Equal Employment Opportunity Enforcement Activities of the Economic Development Administration Do Not Duplicate the Enforcement Activities of other Federal Agencies

Background:

Under Title VI of the Civil Rights Act of 1964, the Economic Development Administration is responsible for ensuring that recipients of EDA assistance do not discriminate on the grounds of race, color, or national origin. Normally, Title VI of the Civil Rights Act of 1964 does not apply to the employment practices of recipients of Federal financial assistance. EDA is an exception because one of the primary purposes of its assistance programs is to create new employment opportunities or save existing jobs.

The major Federal equal employment opportunity activities are conducted by the Equal Employment Opportunity Commission (EEOC) under Title VII of the Civil Rights Act of 1964 and the Office of Federal Contract Compliance Programs (OFCCP) under Executive Order 11246. Almost all major private sector employers are subject to Executive Order 11246 and Title VII jurisdiction extends to even relatively small employers. The fact that EDA, EEOC and OFCCP all have jurisdiction over private sector employers indicates a potential for duplication of compliance effort in the private sector.

Heretofore, EDA has not pursued a vigorous enforcement effort for private sector employers and, therefore, the problem of duplication of enforcement effort has not received close attention. Recently, the Department of Justice issued an evaluation report of EDA's Title VI programs. The evaluation stressed EDA's limited compliance activity with private sector employers and recommended that EDA expand its efforts in this area.

Analysis of Issue

EDA has a legal obligation for enforcing Title VI in its program of Federal financial assistance. The Justice Department has Government-wide responsibility for coordinating Title VI programs. The Department has urged EDA to consider various alternatives in enforcing Title VI so that the goal of an effective enforcement program can be met without duplicating the activities of other Federal agencies. We have also advised Justice of our concerns in this area.

Schedule

Currently, EDA is conducting a study of its civil rights programs. While the study was designed and approved prior to the issuance of the Justice report, there is sufficient flexibility for EDA to address the issue of duplication of enforcement activities as well as other matters of concern raised by the Department of Justice and EDA has agreed to do this. We will suggest to the Department of Justice that they meet with representatives of the Department and EDA prior to the issuance of EDA's study to ensure that their perspectives, as the lead Agency for Title VI programs, are fully considered. The study is to be issued in March of 1977.

OFFICE OF ADP MANAGEMENT

ADMINISTRATION OF PUBLIC LAW 89-306
IN REGARD TO THE
PROCUREMENT OF ADP RESOURCES

Background: Public Law 89-306, enacted in October 1965, authorizes and directs the Administrator of GSA to "coordinate and provide for the economic and efficient purchase, lease, and maintenance of automatic data processing equipment by Federal agencies". The law also authorizes the Administrator to delegate this procurement authority to agencies to the extent he determines such action to be necessary and desirable. In fulfilling its repsonsibility under the law, GSA has established certain documentation requirements that must be met before GSA will conduct an ADP procurement or grant a delegation of procurement authority (DPA) to an agency. More stringent requirements apply for non-competitive ADP procurements.

In an October 1976 report, the House Committee on Government Operations presented its findings and recommendations on the administration of Public Law 89-306 in regard to the procurement of ADP resources. In summary, the Committee cited GSA for failing to administer the Act effectively, OMB for failing to provide adequate policy direction, NBS for failing to develop standards and user agencies for failing to fully support and comply with the provisions of the Act.

The Department's procurement activities, including those for ADP resources, have been centralized for the most part in the Office of Administrative Services and Procurement. The ADP procurement function was transferred to the new Office of ADP Management, effective November 1, 1976.

Issue: Develop an effective program for (1) processing ADP procurement actions in an efficient and timely fashion, (2) maximizing competitive ADP procurements and the use of functional specifications, (3) ensuring compliance with GSA limitations on DPA's, and (4) ensuring compliance with GSA requirements for procurement justification documents.

Analysis of Issue: As a first step, the Department needs to develop a close working relationship and cooperative spirit with GSA ADP procurement personnel (Automated Data and Telecommunications Service), since the vast majority of procurement actions, in terms of dollar value, fall within their purview. The Department should initiate early communication pertaining to imminent procurements with both GSA and the operating units. In regard to the latter, the Departmental Office of ADP Management needs to coordinate during the initial stages of requirements assessment to ensure that the resulting procurement specifications are not unduly biased.

Schedule: Conduct of initial discussions with counsel for House Committee on Government Operations, Commissioner of ADTS and GAO counsel. Completed November 1976

Conduct of follow-on discussions with the above groups. Continuing

Recruitment and assignment of Departmental ADP Procurement staff. 1st Qtr. 1977

Development and issuance of Department procedures for processing ADP procurements. 1st Qtr. 1977 and continuing

OFFICE OF ADP MANAGEMENT

APPLICATION OF POLICIES FOR
RELIANCE ON THE PRIVATE SECTOR
(OMB CIRCULAR A-76) TO ADP REQUIREMENTS

Background: OMB Circular A-76, revised effective August 30, 1967, prescribes the basic policies to be applied by agencies in determining whether commercial and industrial products and services used by the Government are to be provided by private suppliers or by the Government itself. Although the general policy is to rely on the private enterprise system to satisfy the Government's needs for products and services, agencies have generally purchased or leased equipment and facilities to provide their own automatic data processing services.

In June 1976, the Department established an internal regulation that all ADP requirements studies in support of planned acquisitions of ADP equipment include an A-76 comparative cost analysis or a statement of the condition which would exempt the acquisition from the provisions of A-76.

Recognizing the Government's heavy involvement in ADP operations, the Office of Management and Budget recently issued for comment a draft transmittal memorandum to Circular A-76 specifically to provide guidelines for applying this policy to ADP requirements. (Some groups, primarily comprised of computer equipment manufacturers, have contended acquisition of ADP equipment by the Government for in-house use and operation is in compliance with the Government's policy.)

Issue: Identify what further policies and procedures the Department should establish or implement to achieve full application of the policies for reliance on the private sector to ADP requirements.

Analysis of Issue: The Department's regulation mentioned above is directed to applying A-76 policies to the acquisition of new or additional ADP equipment. However, the Department needs to implement a program for the systematic review of presently installed computer systems to determine if continued in-house operation is justified in accordance with A-76. This will involve Departmental review, update or preparation of cost analyses comparing the alternative approaches. Additional Departmental guidance may be needed in regard to the principles and techniques to be used in performing such comparative analyses.

Schedule:

Identification of DOC computer installations for prototype A-76 study.	Completed November 1976
Identification of additional Commerce-operated ADP facilities subject to A-76.	1st Qtr. 1977
Decision by OMB on supplemental guidelines for application of A-76 policies to ADP requirements.	1st Qtr. 1977

Review of A-76 comparative cost analyses of six Commerce-operated facilities. 1st-3rd Qtr. 1977

Issuance of Department guidance and implementing procedures. 4th Qtr. 1977

OFFICE OF ADP MANAGEMENT

CONSOLIDATION AND STRENGTHENING
OF DEPARTMENT ADP MANAGEMENT

Background: The Department's central ADP management staff, prior to March 1972, consisted of two professionals who primarily reviewed and recommended approval or disapproval of operating units' requirements for ADP equipment and services. This staff also served as Commerce's focal point on Government ADP policy and reporting requirements.

In March 1972, three additional positions were assigned to the ADP management function to keep pace with the growth in ADP requirements and to provide programs for long-range planning and software management and to increase attention on ADP budgetary and financial matters. At the same time, the Department's central computer facility was transferred into the same office with the ADP management group. In November 1976 the Office of ADP Management was established consisting of the two groups identified above (now called ADP Policy and ADP Operations Divisions) and an ADP Procurement Division. This Office reports directly to the Assistant Secretary for Administration and its formation consolidates all Departmental ADP responsibilities in one office.

Issue: Given this organizational consolidation, develop and implement the necessary programs and procedures to actually effect a consolidation and strengthening of the Department's management of its ADP resources.

Analysis of Issue: The organization of ADP functions in one office provides the opportunity for the Departmental Office of ADP Management to take a more active role in (1) evaluating the performance of Commerce computer facilities to maximize utilization of existing resources, (2) monitoring Department compliance with Federal Information Processing Standards (FIPS), (3) developing further a system for long-range planning for early identification of ADP requirements.

Schedule:

Develop program for conducting computer installation evaluations.	4th Qtr. 1976
Perform computer performance evaluations at six Commerce facilities.	1st thru 3rd Qtr. 1977
Refine and reinstitute Department long-range ADP planning system.	1st Qtr. 1977
Develop procedures for monitoring compliance with Federal ADP standards.	2nd Qtr. 1977

Appendix: None

OFFICE OF ADMINISTRATIVE SERVICES AND PROCUREMENT
SYSTEM OF SOURCE EVALUATION BOARDS AND
SOURCE SELECTION OFFICIALS

BACKGROUND - Acquisition of goods and services is among the most important internal functions performed in the Department of Commerce. The Department's procurement totalled approximately 493.7 million during the 15-month period covering FY 76 and transition quarter. The systems used, of which source evaluation and contractor selection is an intricate part must be such that individuals performing within it are challenged to high standards of performance because their efforts contribute to and form an important part of the Government's decisionmaking process. In April 1976, a management project to develop and implement uniform Department procedures for establishment and operation of Source Evaluation Boards (SEB) and designation of Source Selection Officials (SSO) for evaluation and decisionmaking in the competitive negotiated procurement process, was established.

ISSUE - Review of evaluation and selection procedures used or failure to establish such procedures indicated absence of uniformity throughout the Department and major operating activities having procurement authority for evaluation of proposals and contractor selection. Without standardization and uniformity of procedures for conducting the Department's public business, the principal objectives of proposal evaluation and source selection are impossible to attain. As a result, techniques employed in conducting Departmental procurement business in this area is often subject to critical review by internal Government officials and the business public.

ANALYSIS OF ISSUE - Since the primary objectives of proposal evaluation and source selection are to insure impartial, equitable, and comprehensive evaluation of competitive proposals and to assure selection of that source whose proposal and capability offers optimum satisfactory attainment of Government objectives including cost, schedule and performance, it is essential that criteria for procedures and their application be uniform. Based upon establishment and implementation of such procedures, it can be assured that:

a. individuals in major executive positions will be fully responsible for source selection decisions made;

b. a balanced appraisal of all factors in the source selection process will be accomplished by constituting an advisory group of senior and knowledgeable professional personnel to participate in the process; and

c. consistent procedures are established to improve the effectiveness of review and approval and to increase Government and industry's understanding and acceptance of these procedures.

SCHEDULE - A copy of the project milestone plan and schedule is attached.

SYSTEM OF SOURCE EVALUATION BOARDS
AND SOURCE SELECTION OFFICIALS

Objective To develop and implement Department procedures for establishment and operation of Source Evaluation Boards (SEB) and designation of Source Selection Officials (SSO) for evaluation and decision-making in the competitive negotiated procurement process.

Change in Status

Milestones	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1976												
(1) Identify and review procedures currently used by Departmental offices and major operating activities.							0					
(2) Review contract awards resulting from competitive negotiations to develop criteria for applicability of proposed procedures to achieve basic procurement objectives.									0			
(3) Develop initial draft of proposed procedures and circulate to applicable activities for review and comment.												0
1977												
(4) Review comments received, coordinate as necessary, prepare and circulate for review and comment a final draft of proposed procedures.			0									
(5) Review comments received, prepare final procedures, obtain necessary approvals and clearances, submit for signature, publication and distribution.						0						
(6) Implementation effective October 1, 1977.										0		

FORM SEC-904
(2-76)

MBO TYPING FORMAT

U.S. DEPARTMENT OF COMMERCE

Program Policy Division
OAS AA OAS.

OFFICE OF ADMINISTRATIVE SERVICES AND PROCUREMENT
AUTOMATED PROCUREMENT DATA SYSTEM

BACKGROUND - Public Law 91-129 enacted November 26, 1969, established a Commission on Government Procurement (COGP) to investigate and study procurement procedures, regulations, and statutes affecting Government procurement. The resultant report of the COGP, dated December 1972, contained Recommendation D-1, "Improve the system for collection and dissemination of statistics on procurement by commodity and agency to meet congressional, executive branch, and industry needs." The Recommendation was adopted in May 1974 and requirements of the recommendation included in the Office of Federal Procurement Policy (OFPP) Act (P.L. 93-400) enacted August 31, 1974. Section 6(d)(5) of the Act specifically includes establishment of such a system as a function of the Administrator for Federal Procurement Policy. In October 1974, twelve executive agencies were selected to provide representatives to form a Federal Procurement Data System Committee to develop an FPDS. The initial committee has been expanded to include representatives of all executive agencies and is under the sponsorship of the Office of Management and Budget.

ISSUE - To design and develop a Standard Departmental Procurement Data System to include a central data bank to receive and store procurement data from all Departmental procuring activities and supply such data to a National Data Bank pursuant to P.L. 93-400 requirements.

ANALYSIS OF ISSUE - The Federal Procurement Data System Committee meets weekly to receive agency views and comments for resolving mutual problems in refinements to the design and data structure of the FPDS. Refinements to the FPDS will eliminate agency reporting requirements of the SF-37, Report of Procurement by Civilian Executive Agencies and MBE 91, Program Data Form (Minority Business Procurement). The FPDS provides for two record formats (one for procurements over 10K and one for under 10K). The data for transactions over 10K will be collected solely by ADP means. Summary of Procurement Actions of $10,000 or less, FPDS, (being revised) is the only mechanism for reporting small purchase actions to a National Data Agency. This means that, unless otherwise provided for by each agency, data for procurement actions under 10K must be collected manually by agencies not choosing to automate. The proposed DOC Procurement Data System employed at NBS provides a mechanical and manual means to collect procurement data for both transactions (over and under 10K), and provides for interface of procurement transactions with accounting requirements. Therefore, the system designed is more comprehensive than required to facilitate only the basic FPDS required by the Public Law. On October 29, 1976, the NBS replied favorably to Assistant Secretary Kasputys' memorandum of October 13, 1976, proposing that NBS write specifications and programs for a Departmental data system and maintenance of the resultant Central Data Bank.

SCHEDULE - A copy of the project milestone plan and schedule is attached.

AUTOMATED PROCUREMENT DATA SYSTEM

OAS&P
June 18, 1976

Objective : To provide an automated means to systematically collect and disseminate data on contract and small purchase actions to accommodate Department needs and proposed Federal Procurement Data System pursuant to Public Law 93-400.

Change in Status

Milestones	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
AREA A:	1976											
(1) Redesign standard data conversion tables for collecting data on small purchase actions under $10,000 and submit to NBS for program design (Includes System under Area B).			●									
(2) Coordinate and discuss with NBS officials to modify system as required.					●							
(3) Accomplish procedural and program revisions and prepare to initiate 90-day trial run.						●						
(4) Conclude 90-day trial run.									●			
(5) Prepare final procedures, obtain necessary approvals and clearances, publish and distribute final procedures.									●			
(6) Implementation (NBS only) October 1976.										●		
(7) Area A system to be consolidated into total Automated Procurement Data System which includes areas A and B. Implementation of total system established as milestone (8) under Area B.							●					

FORM SEC-904
12-761

MBO TYPING FORMAT

U.S. DEPARTMENT OF COMMERCE

Milestones	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
AREA B:	1976											
(1) Design standard data conversion tables, formats and procedures for collecting data on contract actions and submit to appropriate officials for review and comment (Includes system under area A).			●									
(2) Coordinate and discuss with appropriate officials, obtain comments and recommendations for modifications necessary.					●							
(3) Redesign or modify data conversion tables, formats and procedures as necessary, circulate for review and comment by appropriate officials.							●					
(4) Prepare final draft procedures incorporating appropriate changes and recommendations received, discuss with appropriate officials and coordinate final document preparation.									●			
(5) Submit system for computer program design.										○		
(6) Obtain review and approval by operating officials.	1977 ○											
(7) Make necessary final procedural and program changes, conduct test of system for a 90-day period.						○						
(8) Prepare final procedures, obtain necessary approvals and clearances, publish and distribute final procedures.									○			
(9) Implement full program (1 October 1977).										○		

OMBE PROGRAM CONTRACTS

BACKGROUND: Executive Order 11625, dated October 13, 1971, in part, gave the Secretary of Commerce the authority to "provide financial assistance to public and private organizations so that they may render technical and management assistance to minority business enterprises..." The Office of Administrative Services and Procurement (OAS&P) has awarded contracts to local and national business development organizations for this purpose. OAS&P exercises contracting authority for OMBE in accordance with appropriate provisions of 41 U.S.C.

ISSUE: OAS&P has experienced extreme difficulty in the acceptance of and compliance with the requirements of contracts, Federal Procurement Regulations, Departmental Regulations and general business practice by the contractor organizations and the sponsoring agency. The following are illustrative of problem areas:

- Many sole source contractors are marginally responsible and thereforeprovide low quality service and cause excessive administrative effort.
- Scope of work does not adequately state government needs and is so broad as to make performance largely non-measurable.
- Attempts to provide for competitive selection of a contractor meets with adverse reaction from Congressmen and potential contract sources.
- Requirements for contract renewal are sometimes submitted too late for continuity of performance and contributes to extraordinary administrative effort.
- Many technical evaluations lack required substance.
- Many challenges to the General Accounting Office (GAO) and Congressmen to non-selection are made.
- Extremely high number of significant findings in suitability investigations are received.
- Contract terms and conditions are many times not observed by contractors causing unnecessary audit issues, claims, resolution, etc.

- o Contract monitors exercise low degree of contract enforcement and in many instances exceed their delegated authority.

ANALYSIS OF ISSUE: Despite the continued existence of the issues better controls and alternatives have not been fully explored. Some corrective actions have been instituted to improve cost control and audit issue problems, however the full effect has not been seen. We continue to advocate relaxation of some standards for the program; imposition of higher standards in contractor selection and contract monitoring; and use of other than the non-profit organization. Other alternatives exist and should be studied and implemented.

THE OFFICE OF ADMINISTRATIVE SERVICES & PROCUREMENT (OAS&P)
PRODUCTIVITY MANAGEMENT PROGRAM

BACKGROUND AND DESCRIPTION

This office has had a Productivity Management Program for over ten years. Here's how it works:

DESIGN AND USES: OAS&P is divided into fifteen cost centers. Each center has its own supervisor, its own budget, and from one to six outputs of goods or services.

For each cost center an input/output formula has been developed by equating the staff-hour input with the corresponding one to six outputs for each of the fifty-two weeks of an arbitrary base year. This base year is the cost center's "par". The formula is used:

- To forecast manpower needs for budget and other planning purposes
- To maintain a running productivity index of planned versus actual performance
- To develop cost per earned hour (based on appropriate expense statements)

BENEFITS: The Productivity Management Program offers a method of achieving optimum workforce/workload matching with the following advantages:

- It is objective -- no performance judgements are made, no leveling factors are applied.
- It is impersonal -- no contact is required between the analyst and the producer.
- It is fast -- historical data received from a cost center on a given day can often be processed into a formula by the following day.
- It is scientific -- there is no guesswork in assigning weights to the various outputs or in determining the indirect-labor factor.
- It is cheap -- the cost of the computer runs needed to establish a formula for a cost center is normally less than ten dollars. The cost of the computer runs needed to produce weekly management reports for fifteen cost centers (including daily productivity computations, if desired) is roughly twenty-five dollars a week.

IMPACT: The program is appreciated by managers because it gives them a

factual basis for justifying personnel needs....It is popular with non-management people because it has engendered realistic group-incentive awards. Scarely a cost center has remained untouched by orgainzation and operation improvements pointed out by Productivity Management. For example, before the Productivity Management Program was introduced, the Messenger and Mail Cost Center required 23 people to process 8,000,000, pieces of mail; today 17 people process 16,000,000 pieces.

ANALYSIS OF ISSUE

Personnel of the Office of Administrative Services have lectured repeatedly on this program at the Civil Service Commission (per OMB request). Additionally, the program has received the approval of GAO and an article has been prepared at the request of JFMIP . (Appendix A) More than 40 inquiries concerning OAS&P's Productivity Brochure, Handbook and slide presentation have been received from governments and private industry and several hundred copies of our written materials have been distributed for defense and civilian agencies' seminars.

Despite the above-mentioned evidence of interest in its Productivity Management Program, OAS&P has met with only modest success in extending the program to administrative-service-type operations in Commerce bureaus. NBS and NOAA have ongoing installations, slowed only by extensive organization changes. Other bureaus have largely remained adamant while offering no substitute of any kind.

SCHEDULE

The MBO Milestones Report calls for extention of the entire program to all administrative-services-type operations by October 1977. This can be accomplished only by firm continuing support. Prime obstacles to be overcome are (1) the private-industry-type resistence to "home-office" regulation and (2) the managerial reluctance to run a "tight ship" against a backdrop potential across-the-board cuts.

The attached article was published by the Joint Financial Management Improvement Program in its Annual Report to the President and the Congress entitled, "Government Productivity", Volume II, July 1976.

CHAPTER 16

A TECHNIQUE FOR MATCHING HUMAN RESOURCES TO WORKLOAD NEEDS

BACKGROUND

The Office of Administrative Services and Procurement (OAS&P) in the Office of the Secretary provides more than a score of support services to the many programs of the Department of Commerce. These support services are dispensed through a number of cost centers staffed by from three persons to as many as sixty. Every cost center has its own budget and produces from one to six recognized service outputs. Few cost-center operations are machine paced.

Problems were encountered in (1) selecting the final outputs of these cost centers, and (2) weighting each output in proportion to the staff hours required for its execution, causing OAS&P to abandon long ago any industrial-engineering or self-timing methods of productivity measurement in favor of a statistical technique known as multiple-regression analysis. The technique has been defined as "a statistical process for determining the joint effect of any number of factors on another factor." In the situation at hand, the influencing factors are the service outputs; the influenced factor is staff hours of input.

SELECTING COST-CENTER OUTPUTS

When a cost center has been formed and/or targeted for inclusion in the Productivity-Management Program, the cost-center supervisor, the second-level manager, and other interested persons are brought together for consultation. A tentative list of outputs is drawn up and the process of assembling a history of output volumes (if they are not already available) is begun. The staff-input hours for the cost center as a whole are assembled for the corresponding days, weeks, fortnights, or months. (OAS&P uses input/output volumes of a weekly frequency, extending over a fiscal year, where practical.)

After the historical input/output volumes have been assembled, they are keypunched and input to a computer, together with seven program cards. The computer generates two runs: The first run weeds out redundant outputs through correlation analysis. The second (separate) run generates a mathematical model for the cost center from the remaining outputs and the input.[1]

In order to illustrate the output-selection process as well as the generation and application of the mathematical model, a cost center called "X" is used. Table 1 shows the Cost-Center X outputs and input, together with numbers of the computer columns in which they are stored.

TABLE 1

PARAMETERS OF COST CENTER X

Cost Center X Input or Output Identification	Computer Storage Column #
Pieces of correspondence Routed (Output X_1)	14
Pieces of cash mail handled (Output X_2)	15
Imprest fund transactions completed (Output X_3)	16
Travel inquiries answered (Output X_4)	17
Tickets requisitioned by teletype (Output X_5)	18
Staff hours worked (Input Y)	3

The first computer run is shown in Table 2. It displays the simple correlations between the five tentatively selected outputs and the staff hour input.

[1]For more information on the technical aspects of the mathematical model contact Mr. Dallas Dobelbower (377-3450)

TABLE 2

INPUT/OUTPUT DATA

(Correlation analysis for 6 variables with 52 observations--simple correlation coefficients)

Computer Storage Column #		
3	Staff hours worked	1.000[a]
14	Pieces of correspondence routed	.5124
15	Pieces of cash mail handled	.5008
16	Imprest fund transactions completed	.4214
17	Travel inquiries answered	.3120
18	Tickets requisitioned by teletype	.4505

[a]1.000 is total correlation (Staff hours correlated with itself).

As shown in Table 2, when data stored in computer column 14 (correspondence routed) are related to the data stored in column 3 (staff-hour input) a significant correlation (.5124) is revealed. The lowest correlation (.3120) is between column 17 (travel inquiries) and column 3 (staff-hour input). Statisticians generally agree that the ideal output should satisfy two criteria: First, it should show substantial correlation with input. Second, it should show little correlation with other outputs.

Table 3 provides the test for correlation between outputs. It is obtained from the same computer run as Table 2.

RELATIONS BETWEEN OUTPUTS

(Partial correlation coefficients between outputs with 3 remaining variables fixed)

COLUMN	14	15	16	17	18
14 Correspondence	1.0000				
15 Cash	.1804	1.0000			
16 Imprest	.2985	- .0025	1.0000		
17 Travel	.1483	.1424	-.0016	1.0000	
18 Tickets	.1023	.0136	.1556	.6127	1.0000

Table 3 reveals a substantial correlation (.6127) between column 17 (travel inquiries) and column 18 (travel tickets). Some authorities have said that a .6000 or greater correlation between pairs of independent variables suggests an overlap that could result in a needlessly lengthy model. Because the supervisor of Cost Center X wished to maintain work counts on both outputs, they were combined in the computer during the generation of the model rather than to eliminate one or the other.

GENERATING THE COST CENTER MODEL

This second run of the data deck used in the correlation analysis, plus a handful of model-building program cards produces the model for Cost Center X as shown in Table 4.

TABLE 4

MODEL OF COST CENTER X

Output Nos.	Weights
	39.9271 (constant hours)
1	.0076
2	.1245
3	.1958
4	.0249

Table 4 indicates the following:

In each week of the base fiscal year there were 39.9271 average staff hours that were not related to any of the identified outputs. On the other hand, for every piece of correspondence routed there was a staff-hour expenditure of .0076 hours. For every piece of cash mail handled there was a staff-hour expenditure of .1245 hours. For every imprest fund transaction completed a staff-hour expenditure of .1958 hours was required. And for every travel transaction completed a staff-hour expenditure of .0249 hours was required.

In equation form the model appearing in Table 4 would be written:

$$Y=39.9271+0.0076(X_1)+0.1245(X_2)+0.1958(X_3)+).0249(X_4)$$

If "X" values are inserted, the equation can be used to compute "Y," the staff-hour needs for the handling of that particular set of output values.

APPLYING THE COST-CENTER MODEL

Table 5 shows the workload which Cost Center X is expected to handle during the budget year.

TABLE 5

FORECAST OF COST CENTER X WORKLOAD

Cost Center X Outputs		Forecast of Customer Needs
(X_1)	Pieces of mail to be routed	468,000
(X_2)	Pieces of cash mail	20,745
(X_3)	Imprest fund items	10,400
(X_4)	Travel and ticket transactions	26,000

Multiplying these forecasts by the weights set forth in the foregoing equation gives the estimated staff-hour requirement of Cost Center X in the budget year:

Staff hours=(39.9271) (52) + (0.0076) (468,000) + (0.1245) (20,745) + (0.1958) (10,400) + (0.0249) (26,000)= 10899.4817 staff hours.

The above estimate assumes that the Cost-Center X staff will perform at 100 percent of this performance in the base year. Evaluation of past productivity records, together with an assessment of the effect of planned equipment, materials, and plant-facility improvements may suggest to management that a capability index of, say, 115 would be a reasonable expectation. If this goal were incorporated in the management plan, a new staff-hour requirement would be computed as follows:

(10, 899/115) x 100 = 9,477 staff hours,

the adjusted work force estimate.

In addition to its use in computing staff-hour needs, the model serves as a medium for arriving at "earned hours" and maintaining a running productivity index--weekly, quarterly, annually. An earned hour is the credit given an organization for producing a total of outputs determined by the model to equal 60 minutes (100 percent performance). When earned hours are divided by worked hours and then multiplied by 100, the result is known as the "productivity index." If, in the foregoing problem, Cost-Center X personnel had completed the outputs calculated to take 10,899 staff hours in 5,450 hours, the center's index would be (10899/5450) x 100, or 200.

The foregoing computations which consider only the human-resources input, result in what is known as a "partial-productivity index." Quarterly, the total expenses of Cost Center X are brought into the picture with the computation of the Cost Per Earned Hour (CPEH). The CPEH is computed by dividing the total earned hours into the total expenses.

BENEFITING FROM THE PROGRAM

All managers know (or can readily ascertain) what their staff-hour input is....Most managers have identified their final outputs and many keep records of output volumes...But few managers have related input to output in the fashion and frequency needed to continuously match resources to requirements.

The Commerce Productivity Management Program offers a method of achieving this work force/workload matching with the following advantages:

--It is objective--no performance judgments are made; no leveling factors are used.

--It is impersonal--no contact is required between the analyst and the producer.

--It is fast--historical data received from a cost center on a given day can often be processed into a model by the following day.

--It is scientific--no guesswork is involved in assigning weights to the various outputs or in determining the indirect-labor constant.

--It is cheap--the cost of the computer runs needed to establish a model for any size cost center is normally less than $10. The cost of the computer runs needed to produce weekly management reports for 15 cost centers (including daily computation of productivity, if desired) is approximately $25 per week.

Managers appreciate the Productivity-Management Program because it has given them a factual basis for justifying personnel needs. It is popular with non-management people for several reasons: It has engendered three group-incentive awards based on (1) productivity improvement, (2) productivity sustainment, and (3) favorable earned-hour cost. Also, it has enabled individuals to learn more jobs and explore more promotion paths through its stimulation of productivity improvement via inter-cost-center borrowing and lending.

OAS&P QUALITY STANDARDS

BACKGROUND

OAS&P provides a wide range of administrative services and staff assistance to the operating units of the Department; therefore, the efficiency of the operation is highly visible. The objective of this effort is to improve the quality of services offered: strengthening logistical support of the Department's substantive programs. OAS&P initiated the MBO project in May 1976.

ISSUE

Quality control systems for administrative services have not been established in this or other Federal departments and agencies. This is an attempt to establish quality standards and to determine their value to OAS&P as a management tool and to recipients of the services as a qualitative measure.

ANALYSIS OF ISSUE

The project involves 89 services and is being handled by two staff analysts. First, a preliminary identification of the service output was made. The analyst worked with the OAS&P operations staff to verify the definition of each service and to develop the methods for measurement. Whenever possible data is collected from existing records in order to reduce the burden of generating data for the purposes of the project. Once converted into machine-readable form, analysis of the data is aided by computer manipulation to develop the standards. At this point, the proposed standards become a management tool by which corrective action can be initiated to effect the final accepted standards.

SCHEDULE

The project is now in the data collection phase for the bulk of the services. Expected completion date of this phase and the analysis phase is March 1977. The expected completion date of final standards is June 1977. Proposed standards have been developed for the Procurement Division, the mail service branch of the Communications and Transportation Division, and the Library Division. This includes 62.5% of the personnel involved in OAS&P customer service outputs. Twenty-five draft probability statements have been prepared.

NEED FOR MORE EFFECTIVE CONTROLS OVER COMPUTERIZED PAYROLL-PROCESSING OPERATIONS

BACKGROUND:

On November 10, 1975 the United States General Accounting Office issued a report to the Secretary of Commerce relative to the "Need for More Effective Controls Over Computerized Payroll-Processing Operations." The Department has generally agreed with GAO's findings and to the implementation of their recommendations.

ISSUE:

GAO recommends:

1. More effective editing of input data,
2. Improved Control over source documents,
3. Separation of duties among payroll, personnel and receipt and distribution offices
4. Participation of Office of Audits in design of payroll-processing systems.

ANALYSIS OF ISSUES:

The Department of Commerce, through the Office of the Assistant Secretary for Administration, has generally agreed with GAO's findings and recommendation. Present system will be modified to place more stringent controls over data input and file maintenance procedures while separating duties of the various offices involved.

SCHEDULE:

Determinations as to required revisions have been made. Required programming will begin during fourth quarter of 1976.

STUDY OF DEPARTMENT UTILIZATION OF ECONOMIC INTELLIGENCE TO IMPROVE INTELLIGENCE SUPPORT, AND CREATION OF A SECURE ENVIRONMENT FOR THE GENERAL HANDLING OF INTELLIGENCE INFORMATION.

This Issue Paper is classified for security reasons. It is available separately.

IMPACT OF FEDERAL REORGANIZATIONS ON THE DEPARTMENT

BACKGROUND

Over the past several years, many Members of Congress and the Executive Branch have expressed displeasure over the manner in which Federal programs related to energy, oceans or the environment are organized. This displeasure has focused on such factors as a growing duplication of effort and overlap of responsibility, a fragmentation which compromises coordination and unified direction, the lack of an effective way to resolve conflict, the lack of an effective forward planning and implementation mechanism, and the inappropriate forcing of decisions to the Presidential level.

ISSUE

In the Congress, there has been some discussion of consolidating all Federal programs relating to oceans into a single Department (e.g., a Department of Environment and Oceans as proposed in S.3889 introduced late in the last session). On the Executive Branch side, a joint Office of Management and Budget/Energy Resources Council study (not yet completed) has discussed the possibility of establishing a Department of Energy or a Department of Energy and Natural Resources. If implemented as proposed, the establishment of any of these new departments would have an impact on the Department of Commerce.

ANALYSIS OF ISSUE

The proposed Department of the Environment and Oceans would consolidate the Environmental Protection Agency, the Coast Guard and some programs in the Department of the Interior with Commerce's National Oceanic and Atmospheric Administration. Such a move would reduce the Department's budget by approximately 25% and its personnel complement by approximately 40% (using FY 1976 budget data). Operationally, however, it would have little impact on Commerce except to demand an extra effort to coordinate two of NOAA's programs, coastal zone management and deep water ports, with related programs in the Economic Development Administration and the Maritime Administration.

The proposed Department of Energy and National Resources would consolidate NOAA with the Federal Energy Administration, the

Energy Research and Development Administration and the Department of the Interior. While NOAA does provide some direct assistance for energy programs in FEA and ERDA, the rationale for this proposal is based primarily on the relationship between the natural resource functions presently assigned to NOAA and Interior. Again, there would be little operational impact on the Department except for the closer coordination effort discussed above.

One version of the proposed Department of Energy (DOE) might combine FEA and ERDA with the coastal energy impact program currently assigned to NOAA's Office of Coastal Zone Management. (Basically, the CEIP provides financial assistance to states and local governments impacted by coastal and outer continental shelf energy development activities.) The primary impact of such a move would be to force an extra effort to coordinate the CEIP with the remaining portions of NOAA's coastal zone management program and with the public works program in EDA. However, it does not appear likely at this time that a DOE would include any Commerce programs.

A possibly favorable impact of proposals to separate all or some of NOAA's programs from Commerce might be that such transfers may allow Departmental program managers and policy makers to focus more of their time and attention to those programs which bear a more direct relationship to the economic growth and development orientation of the Department.

Although not specifically proposed, a Department of Energy and Natural Resources or a Department of Energy might also include the industrial energy conservation programs currently assigned to the Office of Energy Programs in the Domestic and International Business Administration. Such a move would have a minimal impact on the Department, but may have a significant, adverse impact on the conservation program by separating the program from the Federal department which normally is charged with leading joint industry/government promotion efforts of this type.

One additional potential change worth noting is the possible creation of a new Federal agency to consolidate all mapping and charting functions. Again, the aeronautical and marine mapping and charting done by NOAA would be transferred from the Department if this were done.

ROLE AND ORGANIZATION OF THE DOMESTIC AND INTERNATIONAL BUSINESS ADMINISTRATION

BACKGROUND

Program and managerial initiatives on the part of the Congress, the President, the Office of Management and Budget, the Department of Commerce and the Domestic and International Business Administration itself have resulted in some major changes in the DIBA organization over the past five years. These changes include a decentralization in 1971, a centralization in 1972, additions and deletions of major offices, bureaus and functions, and, most recently, an exchange of functions and units between DIBA and the Office of the Assistant Secretary for Policy.

ISSUE

With the continuation of major organizational changes in DIBA, it is appropriate to review its existing operations and organizational structure in order to provide a framework conducive to stable and effective program management. The numerous changes in DIBA during the past five years have adversely affected its present organization and mission within both the Department and the Federal Government. A clear definition and understanding of DIBA's mission is a prerequisite to any further undertaking to reorganize DIBA.

ANALYSIS OF ISSUE

A study team consisting of representatives from the Domestic and International Business Administration, the Office of the Assistant Secretary for Policy and the Office of the Assistant Secretary for Administration is currently conducting a study of DIBA's role and organizational structure. The purpose of the study is to provide answers for five questions:

1. What is the domestic and international business support mission of the Department of Commerce?

2. What is the DIBA role in contributing to this mission requirement?

3. What programs are appropriate in carrying out the DIBA role?

4. What is the appropriate DIBA organizational structure for planning, directing, controlling and coordinating these programs?

5. What steps must be taken to ensure that DIBA programs are coordinated with related programs outside of DIBA?

The first step in conducting this study, a review of long term issues and problems affecting the business community, has been completed by an internal DIBA task force and has been submitted to the Assistant Secretary for Administration.

INFORMATION POLICY ISSUES

Background -

The growing popular concept of "openness in government," the increasing number of relevant statutes (listed below), and the Department's desire to maintain a preeminent information management role---all these, in relation to the lack of a prescribed national information policy---comprise the background for a multiplicity of issues.

Issues -

The complexity of issues include:

a. The need to reduce the burden of public reporting vs. the data-mission demands of the Department, particularly the Bureaus of Census and Economic Analysis.

b. The collection (and dissemination) of data by means of public-use reports which the public respondents do not consider to be a burden---notwithstanding generic opposition to public-use reports overall; e.g., marine weather forecasts derived from data reported by American ships.

c. The Department's (sometimes critical) needs for advice from the public sector vs. OMB's increasingly stringent implementation of the Federal Advisory Committee Act.

d. The growing demand for resources which are needed to assure DOC compliance with the:

-- Freedom of Information Act
-- Privacy Act
-- Federal Advisory Committee Act
-- Public Reports Act, and
-- Government in the Sunshine Act (effec. 3/77)

e. The requirements of the Privacy Act vis-a-vis the selection process and designation of public members of DOC's advisory committees.

f. Near term, is an unknown but likely impact from:

-- further "openness in government" legislation, and
-- reports with recommendation, in 1977, by the Privacy Protection Study Commission, the Commission on Federal Paperwork, and other like bodies.

Analysis of Issues -

Analysis of a few of the issues indicates, for example, that:

a. With respect to a., above, an exemption from OMB's burden reduction directive is critically needed if the Census Bureau is to accomplish the legislated 1977-78 censuses of Economics, Government, and Agriculture.

b. With respect to b., above, OMB's narrow interpretation and implementation of the Federal Reports Act of 1942 pertains; and resolution of the issue will entail amendatory legislation.

c. With respect to c., analysis must be effected on a case by case basis with special emphasis on the chartered purpose (or proposed charter) of the committee at hand.

Schedule -

In response to the totality and interelationship of the issues involved, the Department in May 1976 established an Information Policy Issues Committee. See attachment. This group has met twice, has identified a score of both DOC and national issues, and has set a course of action on several. Specifically:

-- before the end of CY 1976, a formal waiver request is scheduled to go forward to the Director, OMB, to resolve issue a., above;

-- In the first quarter of CY 1977, draft amendatory legislation is to be prepared by the Census Bureau for clearance through Departmental administrative and legal channels to the new administration in an effort to resolve issue b., above; and,

-- Also in the first quarter of CY 1977, joint action is to be taken by OOMS' Information Management Division and the Assistant General Counsel/ Administration to recommend a revision of the process which will resolve issue e., above, in a manner fully responsive to the requirements of the Privacy Act.

ESTABLISHMENT OF
COMMERCE INFORMATION POLICY ISSUES COMMITTEE

Establishment -
There is hereby established the intradepartmental Commerce Information Policy Issues Committee (CIPIC).

Purpose -
CIPIC shall consider major information policy issues which emerge within or impact the Department, which come to its attention or are referred to it by Commerce Secretarial Officers or operating unit heads. It will function solely within the Department and deal only with matters which are internal to the Department. In evaluating and seeking potential solutions, CIPIC may refer such problems to a staff office, task force, or operating unit for either in-depth study or model testing, and it may recommend that the resolution of selected problems be identified and targeted as Secretarial objectives.

Although CIPIC's activities will be solely internal, it may find it desirable in some instances to consult outside the Department, or in its disposition of an issue include referral outside (for example, to the Domestic Council's Committee on the Right of Privacy, or to OMB with a request for legislative remedy).

CIPIC shall maintain cognizance of all DOC-Domestic Council's CRP activities, and it shall be kept apprised of all relevant studies being conducted anywhere in the Department.

Procedures -
Policy issues being proposed for CIPIC consideration, status reports on relevant studies, and all other communications to CIPIC shall be addressed to its Executive Secretary.

Membership -
The CIPIC members are:

-- Assistant Secretary for Administration, Chairman
-- Director, Bureau of the Census
-- Assistant General Counsel for Administration
-- Director, Institute for Computer Sciences and Technology, NBS.

The Chief, Information Management Division, OOMS, shall serve as CIPIC's Executive Secretary and serve as the Department's point of contact with the Domestic Council's CRP.

Meetings -
The CIPIC shall meet three or four times a year, and at the call of the Chairman.

5-12-76

IMPACT OF THE CONSOLIDATION OF FEDERAL STATISTICAL FUNCTIONS ON THE DEPARTMENT OF COMMERCE

Background

The concept of a consolidated data-gathering and statistical analysis organization for the Federal Government has been actively discussed and recommended for several years. It probably came closest to being implemented when it was included in the President's reorganization proposals of 1971 and 1972. The proposal at that time would have created a "Social, Economic, and Technical Information Administration" in the new Department of Economic Affairs. The Administration would have included the Social and Economic Statistics Administration (Bureau of the Census and Bureau of Economic Analysis) and the National Technical Information Service from the Department of Commerce, and the Bureau of Labor Statistics from the Department of Labor.

The Social and Economic Statistics Administration, in the Department of Commerce, was itself a preliminary consolidation, adopted at the urging of the Office of Management and Budget, in preparation for the planned larger consolidation. SESA included the Bureau of the Census, the Bureau of Economic Analysis, and certain data collection and statistical functions from the Bureau of Domestic Commerce and the Bureau of International Commerce.

Issue

The issue is the impact which a consolidation of Federal statistical agencies would have on the organization and operation of the Department.

Analysis of Issue

The first question to be considered is "How probable is such a consolidation?" While obviously there can be no guaranteed answer, the increasing importance of statistical information, the increasing emphasis both in the Executive Branch and in the Congress on separating data collection and analysis from policy decisionmaking, and the increasing desire to reduce the Federal paperwork and reporting burden on private industry and the public, all indicate a strong likelihood of action in the near future.

The second question is the composition of such a consolidated statistical agency. The Presidential proposal of 1971-72 would have included only organizations and functions from the Departments of Commerce and Labor. But it seems likely that any consolidation at this time would include additional organizations -- such as the Statistical Reporting Service from the Department of Agriculture and the National Center for Health Statistics. The Ash Council report in fact called for the consolidation of SRS, but it was dropped from the plan when the Department of Agriculture was retained. And the 1971 letter from OMB asking for preliminary consolidation of statistical functions was addressed not only to Commerce and Labor, but also to Agriculture and HEW, indicating that some consolidation of functions from those Departments was contemplated.

The NTIS was included in the 1971-72 proposal, but that decision is open to question. While NTIS does deal with publications which include statistics, it is basically a publishing and distribution service, serving many customers in addition to statistics users, and would seem out of place in a purely statistical organization.

A third question is the organizational location of a consolidated statistical unit. The 1971 proposal would have included it in a major Department -- the Department of Economic Affairs. But since that time there have also been recommendations that such a unit be an independent agency. Tending to support this view is the very strong position which has been taken by OMB and by the Congress on the principle that data collection and analysis should be as completely separated as possible from policy decisions based on, or reflected in, such data. On the other hand, there is general opposition to the establishment of new independent agencies, so that consideration of the effect of consolidation should include both location in a Department and a separate agency.

If the consolidated statistical agency is established in an existing Department, it will almost certainly be the Department of Commerce. Its impact, therefore, will consist of expanding the operations and responsibilities of the Department. And that impact should not be severe. The Department already has an official who is responsible for major statistical activities who reports directly to the Secretary (the Chief Economist, formerly the Assistant Secretary for Economic Affairs), and he would presumably head the new agency. The recent dissolution of SESA would basically be reversed -- and more so, with the added organizations. A strong supporting staff element for

the Chief Economist would have to be established. Ultimately there would need to be internal reorganization, possibly resulting in a return to two elements (a Bureau of the Census and a BEA), one for data collection and basic analysis and one for detailed analysis and projection.

If the consolidated agency is established outside of Commerce, as an independent agency, there will obviously be more of an impact on the Department. It can be assumed that both Census and BEA would transfer to the new agency. Although the new agency would be designed to cooperate with the rest of the Executive Branch in the area of statistics, it is almost inevitable that the shift would produce new problems for the rest of Commerce. Examples are the data collection and analysis which Census does for other elements of Commerce, the use of BEA analyses and forecasts, and the close relationship between Census and DIBA in the field on distribution of Census materials and preparation of special studies. Operating relationships would become more difficult under a separate agency, priorities would not always mesh, and there would be no overall coordination and control short of the White House.

Schedule

Commerce's part in this issue is essentially a reactive one -- particularly with respect to an independent statistical agency. The timing of Commerce actions would depend on the timing of proposals for the consolidation. However, there are certain actions which the Department can take:

1. Proceed with the analysis of an expended role for Census, as discussed in the analysis paper on that subject.

2. Develop a justification for establishing the new consolidated agency within Commerce, as opposed to an independent agency.

3. Work with OMB and the other affected agencies to improve the system for handling reimbursable work, in order to provide a stronger basis for maintaining a separate Bureau of the Census within Commerce.

STATUS OF THE NATIONAL TECHNICAL INFORMATION SERVICE

BACKGROUND

The National Technical Information Service is a Departmental operating unit under the general guidance and policy direction of the Assistant Secretary for Science and Technology. The 1950 legislation authorizing the conduct of NTIS' activities provides that NTIS is "to search for, collect, classify, coordinate, integrate, record and catalog (scientific, technical and engineering information) from whatever sources (and) make such information available to industry and business, to State and local governments, to other agencies of the Federal Government, and to the general public." The legislation also provides that "to the fullest extent feasible, each of the services and functions provided (by NTIS) shall be self-sustaining or self-liquidating."

ISSUE

From its beginning as a small office in NBS distributing German scientific and technical papers captured during World War II, NTIS has grown to the point where it now has total sales of technical papers, ADP programs, data files, bibliographies, subscription materials, indices and special services approaching $15 million, almost all of which is operated on a self-sustained basis. In addition, NTIS also has a separate program for the promotion and licensing of Federally owned patents. NTIS maintains that the constraints placed upon it as a result of its status as a regular government agency (personnel ceiling controls, Civil Service Commission policies, procurement and space controls, etc.) preclude it from continuing to grow and provide adequate service to its customers. Additionally, NTIS maintains that the process of selling and distributing "intellectual property" through a Federal agency is incompatible with the free enterprise economic system.

ANALYSIS OF ISSUE

A study team composed of representatives of the Office of the General Counsel and the Office of the Assistant Secretary for Administration is currently reviewing the operations and organizational status of NTIS to determine the extent and nature of any changes that may be warranted. The team has determined that four factors -- NTIS' basic objective, its efforts

to promote the sale of its products and services, the willingness on the part of NTIS' source clients and customers to pay for its products and services, and the legislative mandate that it be as self-sustaining as possible -- lead to the conclusion that some change in NTIS' operations and/or status is necessary. Options for change focus on the possibility of contracting out all or a portion of NTIS operations and on the possibility of establishing NTIS under any one of several quasi-governmental corporate models. An operational analysis of these options has been completed and an analysis of the legal aspects of the several options is currently being reviewed.

SCHEDULE

Upon completion of the legal review, expected within the next month, recommendations will be formulated and a final report will be submitted.

JOINT STATE/COMMERCE EVALUATION OF THE COMMERCIAL FUNCTION

I. Background:

The present system for delivering commercial programs and services to businessmen has developed under the joint responsibility of the Departments of Commerce and State. This system consists of four main arms: (a) forty-three District Offices and 20 satellite offices of the Department of Commerce located in all major regions of the United States; (b) the Domestic and International Business Administration in Commerce; (c) the Bureau of Economic and Business Affairs and various other bureau offices in State; and (d) over 900 economic and commercial officers of the Foreign Service who are located in more than 200 US embassies and consulates in over 140 countries.

Numerous evaluations have been undertaken by various Government agencies, and by private organizations under Government contract, of individual programs or parts of the delivery system. To this time, however, no evaluation of the performance of the whole delivery system and the appropriateness of programs has occurred.

This current report was designed to accomplish such a review. To do so, a joint evaluation team of three Commerce and three State officers was formed, with an adviser from the Office of Field Operations of Commerce. The team reviewed previous reports of Government and private evaluations. It visited 12 District Offices of Commerce and 17 Foreign Service posts. Members of the team talked with more than 300 businessmen individually and in working groups in US cities and abroad. Members of the team also held numerous meetings with officials of Commerce and State responsible for one or another aspect of trade promotional programs and services.

II. Issue:

There are primarily two issues involved:

1. the need for a more refined statement of export promotion policy; and

2. the need for better coordination in Commerce and throughout the entire delivery system.

1. At this time there is no generally agreed, well articulated, or widely understood U.S. policy on the need for or the tasks of official export promotion. Without such a statement: (a) the effectiveness or appropriateness of trade promotion programs and services cannot be fully evaluated; (b) the adequacy or correctness of resource allocations for these purposes cannot be fully determined; (c) the choice between targeting promotional efforts on long term prospects or on immediate sales remains unclear; (d) the question of which segments of US exporters should receive most assistance cannot be answered unequivocably; and (e) the desirability of continuing existing programs or of instituting new ones cannot fully be judged.

2. The delivery system works moderately well in carrying out individual programs, but there are basic weaknesses. These stem from the lack of clearcut policy guidance on program objectives and priorites; faulty communications within and among parts of the system; compartmentalization of program responsibilities; frequent changes of management and staff and a tendency of parts of the system to view the programs as ends in themselves rather than as trade promotional tools. As a result of these weaknesses program managers at the bureau and office level have not had a sound basis for: making judgements about the specific trade promotional value of given programs, making or executing decisions about resource allocations from one program to another; coordinating the mix of trade promotional activities to achieve optimum use of resources; distributing information about trade prospects or foreign business conditions; evaluting the effectiveness of program execution; or, as might be gleaned from the foregoing, in moving quickly to concentrate resources in response to new trade situations.

III. Analysis of Issue:

The report will be completed by December 20, 1976. It would be premature to divulge recommendations at this time.

IV. Schedule:

In State, the report will be submitted to the Inspector General who will present it to the Secretary of State. Simultaneously, in Commerce, the report will be submitted

to the Assistant Secretary for Administration who will present it to the Secretary of Commerce.

The number and breath of recommendations are vast. Consequently, in order for the report to be effective, it needs a proper mechanism in each department for ensuring that recommendations are implemented, or, in those cases where they are not considered feasible, proper justification is given for not implementing them.