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THE WHITE HOUSE
PRESS CONFERENCE
OF
RODERICK HILLS
COUNSEL TO THE PRESIDENT
PAUL MAC AVOY
COUNCIL OF ECONOMIC ADVISERS
JOHN O. PASTORE
SENATOR FROM THE STATE OF RHODE ISLAND
JOHN E. MOSS
REPRESENTATIVE FROM THE STATE OF CALIFORNIA
AND
JAMES C. WRIGHT, JR.
REPRESENTATIVE FROM THE STATE OF TEXAS

THE BRIEFING ROOM

10:05 A.M. EDT

MR. NESSEN: The President met for slightly over two hours with 12 Members of the Senate, 12 Members of the House, and various members of his staff on his proposals to simplify the regulatory agencies.

Let me just quickly give you one or two highlights from the President's opening statement, and then we are going to have to brief you on this Rod Hills, the Counsel to the President, who is heading the Domestic Council review group that is overseeing the President's ideas in this area; Paul MacAvoy, a new member of the Council of Economic Advisers, who also is working in this area, Senator Pastore; Congressman Jim Wright, and Congressman Moss, whose committees will be dealing with this problem.

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The President said that since he has been in the White House and even before that, in Congress, he has sensed a growing apprehension and concern about regulatory agencies, the amount of time they consume and the amount of added costs they put into the economy, and lay on the consumer.

He said that they were established to serve the public interest but that with the passage of 25 or 30 or 50 years, they have got to be looked at again now to make sure they are still serving the public interest.

The discussion was broken down into three areas -- economic regulation, health and safety regulation, and administrative procedures.

The President made clear that he does not want to dismantle the regulatory agencies. He has no intention of dismantling environmental regulations, health protections and consumers' rights, but he did say that the cost-to-benefit ratio needs to be looked at.

He wants to make sure that these agencies still serve the public interest in the 1970s rather than having gotten away from their original intention of serving the public interest.

He told the Members of Congress that he hoped that they could work together, the White House and Congress, because regulatory agencies are a joint responsibility of the Executive Branch and of Congress.

That is a summary of what the President said at the beginning, and for more details on the meeting I am going to give you these gentlemen from Congress and from the White House.

MR. HILLS: Let me say, generally, the purpose of the meeting was to seek a consensus from the group gathered as to the major objectives of regulatory reform. I think the President was extremely gratified to find that there was indeed not only a consensus but unanimity that regulatory reform was a critical item for the future.

The purpose of the consensus, of course, is in preparation for his meeting with all the commissioners of the independent regulatory agencies, which will take place two weeks from today. The consensus, which I think I can state without fear of dissent, was broadly in the area of economic regulation, the need for more flexible pricing, more redefinition of the objectives of agencies that had been in effect for a very long period of time, and in some areas more ease of entry.

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Of course, as regulation falls away from certain economic types of regulation, it is generally agreed today that the antitrust procedures and more effective antitrust protection must take its place.

In the area of general regulation, the need for more cost benefit analysis was generally accepted; in other words, regulation should not be passed in a vacuum, rather they should have the benefit of an intensive cost analysis, not necessarily that you can trade off lives or safety against money, but that people passing regulations must know what it costs in order to choose the best alternatives.

Finally, and certainly the most dramatic assent, was that regulation takes too long and that the substance that is created by that form of regulation is perhaps the most deleterious effect upon the regulatory efforts of Government.

The form of problems with big business and little business was particularly harmful. The trouble of small businessmen to deal with regulation was a prime matter. There was not complete agreement on every matter. Certainly, in the area of consumer representation, there was a difference of approach.

There are a number of people, a number of Senators and Congressmen, that feel there should be a consumer agency to represent the consumers' points of view. The President and others present felt that there was indeed a stronger role for the consumer, but that it could best be met by an effort in each individual agency; in other words, redoing the agency.

So there was broad assent, there was broad consensus the President sought, but of course there were some areas of disagreement, and we are all available for questions.

Senator, would you care to speak?

SENATOR PASTORE: First of all, I think this is one of the better meetings called by the President. He should be applauded for it.

There is no question at all that the habits of 1950 cannot be the procedures of the 1970s. A great deal needs to be done to modernize our regulatory agencies.

On the other hand, it is not an easy solution and it will require time, it will require patience, and will require public confidence.

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I pointed out, of course, that there are several elements that could be taken into account as a remedy, on a short-term basis. For instance, only too often -- and this is not a reflection on the present Administration, it has been with all Administrations -- certain candidates who failed an election are usually dumped over on a regulatory agency.

Many, many times we take people out of industry and put them on a regulatory agency that is to regulate that particular industry. And that is number one.

In other words, we ought to have people who are independent, people who can be impartial, and people who are not using that position as a training ground to get a job with a regulated industry once they leave that position. And that is one of the first things.

Another thing, too, we have to be very, very careful that the bureaucrats, the people who are charged with dealing with the public, will use courtesy, will not act as though they are despots, will not act as though they have plenipotentiary powers, that they will be patient with people.

I have known of cases where under OSHA they would walk into an establishment and summarily fine people for an offense where it was innocently done.

Now you can carry out the meaning of a statute, you can carry out a meaning of a regulation without being arrogant about it, and there has been too much of that, and that has been a harrassment on the part of business.

On the question of a speedy conclusion, we are all interested in that, but in the process we have got to be very, very careful in that we are dealing with the public and we cannot deprive the public from a judiciary remedy.

In other words, if they feel that they have been aggrieved, you can't deny them the right to go to court and our court calendars are crowded and for that reason, of course, there is delay upon delay.

Now, all of this has to be taken into account and it won't be easy, as I said before, but it needs to be done and I repeat again this is the first of a series of meetings with the President. It can't be done by the Congress alone. It can't be done by the Administration alone. It has to be a joint effort and we all have to look at the objective and do it in a very impartial way.

Thank you very much. If anyone wants to ask me a question, I will be glad to answer.

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Q Senator, do you agree with Mr. Hills that there was a broad consensus in this meeting?

SENATOR PASTORE: Yes, there was. There was a broad consensus that something needs to be done, and rather quickly.

Q Senator, you mentioned specifically the quality of the nominees to these agencies. In fact, your own subcommittee has passed on a number of these nominees so would you not say the Senate would have to share the blame?

SENATOR PASTORE: Absolutely, but we have rejected quite a few of them. As a matter of fact, we have the Coors amendment (nomination) before us now. That is highly controversial. You wait and see what happens to that.

Q Senator, how much of this can be done without new legislation?

SENATOR PASTORE: First of all, I think there ought to be an admonishment on the part of all of these people who are entrusted with enforcing regulations to act with decency, with dignity and courtesy.

Q Senator, excuse me. Backing up to the Coors nomination, are you saying that your subcommittee is left with the position to reject that nomination?

SENATOR PASTORE: I did not say that at all. As a matter of fact, I said it is highly controversial. We have separated it from the other seven nominees because we have to deal with that separately. There is a lot of objection to it.

Q Senator, did you get the impression that you were far apart from the Administration on the matter of health and safety regulations?

SENATOR PASTORE: Not too much. Not too much. Of course, you have got to realize that the President talked in general terms and it is a matter of implementation. I thought it was a very healthy meeting and I think it was a very productive one and I think something good will come out of it.

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Q Senator Pastore, do you kind of reject the charge Ralph Nader made this week that the regulatory reform is merely a ploy by the Ford Administration to build political support for 1976?

SENATOR PASTORE: I think it is too soon to say that.

Q Do you think there is any kind of scape-goatism looking for somebody to blame the economic crisis on?

SENATOR PASTORE: I would not say that. I would not accuse the President of the United States of that deception.

Q Mr. Hills, the Administration a few weeks ago proposed some regulatory reform in surface transportation, in rails. Supposedly, there is going to be some more reform in trucks and some easing of regulations of the airlines. Nothing has been heard. When is it coming?

MR. HILLS: This meeting is an effort to find the consensus for most matters, and they are coming. Considerable work has gone on over the last few weeks between various of us on the White House staff and the Hill staff with the agencies.

I think considerable has been done, if you consider how such a short period the President has been in office. I think you will find considerable efforts at specific legislation in the very near future. I think also you will find a greater consensus around such legislation when it comes to the Congress.

Q May we hear from the two experts from the House?

CONGRESSMAN MOSS: I want to first agree that there was a very broad consensus that reform must take place, and particularly in the area of economic regulation. There was not sufficient in depth discussion of health and safety to characterize it as a reform, but it was not marked disagreement.

Another broad consensus of great significance is the recognition of the fact that neither the Congress nor the Executive can effect the changes necessary by themselves. It is going to require the closest cooperation on a continuing basis if a restructuring of the regulatory agencies is to be achieved.

There is a recognition that far too much time is wasted in the regulatory process. It can be expedited without the sacrifice of due process, and due process is certainly an essential protection, both to industries and to the public.

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We have a disagreement on the matter of a consumer advocate. There is a division. It is not a partisan division because support and opposition surfaces from both sides of the political spectrum here in Washington.

I think the significance is that we did meet and, after a meaningful discussion, agreed to seek to work cooperatively and try to expedite the process of re-evaluating these agencies.

We in the House in several committees -- mine having the broadest jurisdiction over regulatory agencies -- are working on a greatly accelerated timetable, reviewing each of the agencies within the jurisdiction of the House Commerce Committee.

We will have that work completed during the life of this Congress, and we will have recommendations for actions which will not in many instances require additional legislation.

There was a consensus that a change of attitude on the part of those engaged in the regulatory process would be refreshing, would be constructive and would restore a great deal of public confidence, a very essential ingredient, in the work of these agencies.

I think that is a fair summary of the achievements of this morning.

Q Did you discuss deregulation of gas prices?

CONGRESSMAN MOSS: We did not discuss deregulation of gas prices.

Q Mr. Moss, somewhere down the road, can we anticipate a reduction in the number of regulatory agencies through consolidation?

CONGRESSMAN MOSS: I would not rule it out, but at this moment, I think it would be premature to state that there would be a reduction.

Q Mr. Moss, how do you evaluate the present Office of Consumer Affairs?

CONGRESSMAN MOSS: The evaluation of the present Office of Consumer Affairs operates really within a very limited scope of jurisdiction. I don't think it would be an adequate substitute for the consumer advocate agency, which is being urged in both Houses of Congress at this time.

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Q Sir, when you talk about regulatory reform, are you talking about this year or next year, or beyond that? What kind of time?

CONGRESSMAN MOSS: I hope I am talking about a continuing review correcting faults as they surface and starting at this time to accelerate the process of identifying problem areas. I don't think we will ever be finished with regulatory reform.

Q Mr. Moss, if Congress approved a consumer advocacy agency and the President vetoed this legislation, do you think the Congress would be able to override the veto?

CONGRESSMAN MOSS: I would want, first, to hear the reasons for the veto and see the final form of the agency presented to the President before being able to make that kind of judgment.

Q Congressman, is there a consensus in the view that disputes on economic matters that are now empaneled as matters of equity by the regulatory agencies should be referred to the courts? And if so, would that not delay things further?

CONGRESSMAN MOSS: Well, it presupposes that we would have them have direct access to the courts from the beginning and that, of course, is not in my judgment anticipated. We have two very recent complete re-enactments of regulatory agency legislation -- the Federal Trade Commission Act of last year and the rewrite of the Securities and Exchange Commission Act this year -- and I would suggest that those two indicate both the consensus of Congress and of the Executive.

They resulted in a clarification of authority, a broadening of authority of the agencies, and that was achieved with the support of the White House, the Department of Justice, the regulatory commissions, and a major part of the regulated industry.

Q You do not have any consensus on abolition of, say, the Interstate Commerce Commission or the Civil Aeronautics Board?

CONGRESSMAN MOSS: I do not. A restructuring, yes; an abolition, no.

Q You were talking, Mr. Moss, of having something ready in your committee by the end of this Congress. That doesn't seem to be very speedy action, to me. Don't you expect something before that?

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CONGRESSMAN MOSS: Oh, I expect a great deal before the end of this Congress. I was talking in that context about an evaluation of the work of each of the agencies within the jurisdiction of the House Interstate and Foreign Commerce Committee, which has the independent regulatory commissions and the Federal Food and Drug Administration, and related agencies.

The total review by the end of this Congress -- we will be prepared to move with reports setting forth very precise recommendations before the end of this session of this Congress in some areas.

Q Which areas, Mr. Moss?

CONGRESSMAN MOSS: I think one of the first will be with the Federal Power Commission, secondly with the Federal Energy Administration, and from there on there are several candidates, but we have not advanced sufficiently to make a final decision.

Q Was any thought given to reforming the wordage used in writing regulations, any thought given to making regulations simple so that plain people can read them and understand them?

CONGRESSMAN MOSS: There was a considerable discussion about a need of the change in attitude. Certainly, basic to a change of attitude would be to remove much of the bureaucratic verbiage and to get down to the essential use of the good English concisely stated in all of these regulations.

Q In that regard, sir, you might start with this Democratic policy statement here because -- (Laughter)

CONGRESSMAN MOSS: That was a committee production.

Q Sir, at this meeting this morning, did you discuss at all the Administration's proposals on transportation, loosening controls over transportation? And if so, do you have any prediction about what Congress is going to do to Administration proposals in that area?

CONGRESSMAN MOSS: I do not have any predictions. We discussed transportation and recognize a need for freer entry in some markets.

On the other hand, we cannot abandon regulation because there are markets where there is no effective competition.

Q Well, do you foresee, for example, free entry into air routes in the near future?

CONGRESSMAN MOSS: I think a freer entry is a distinct possibility.

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Q Mr. Moss, if it is true, as many have charged, that some supposedly independent regulatory agencies have become captives of the very industries they are supposed to be regulating, then do you expect that these industries are going to support these reform efforts? Don't they have a vested interest in maintaining the status quo?

CONGRESSMAN MOSS: I do not expect that they will support reform efforts enthusiastically, but faced with the inevitability of reform they will attempt to give as much as they have to and no more, and then Congress and the Executive will have to apply the pressure to go the additional step required to serve the public interest.

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Q Why didn't some Republican Congressmen come out here? Are they just giving yes to the President?

CONGRESSMAN MOSS: I don't think so. My Members on my committee have split on a number of issues as we have moved along. They have not been a monolithic block in working on the committee, but I don't know why they didn't come in here at this time.

CONGRESSMAN WRIGHT: There is relatively little that I could add. I think all of us agreed that it was an extremely useful initiative that the President has begun. I think all of us agreed that this is a most important and an extremely vital effort that is being undertaken.

To expect unanimity from so diverse and heterogeneous a group would be impossible. To expect consensus would be rosier, but I think there is broad consensus among those present, first, that: (a) regulation has become entirely too burdensome in many instances; secondly, that there seems to be an almost inexorable tendency on the part of regulatory agencies to proliferate guidelines never intended by a Congress in enacting the parent legislation; thirdly, that the regulatory process consumes entirely too much time and that it imposes far too burdensome a paper-work requirement upon applicants of all sorts.

I think there was general agreement that the chief victims were the public themselves, and primarily small business, which is required in many instances to fill out the most elaborate forms that a General Motors itself would have difficulty in completing.

I think there was agreement that there is no excuse for the kind of internecine warfare that sometimes exists within Government, pitting Government agencies into adversary relationships against one another and leaving Government at war with itself where the public becomes the innocent victim.

Illustrations abounded. One, for example, found consensus that there can't be any justification for safety representatives telling the owner of a small industrial plant that he must put in corrugated sidewalks and corrugated floors so as to prevent slippage and a hazard to safety, and when he does so, then representatives of the health agencies telling him that he must take it out because it can't be kept clean.

Any others could enumerate several such instances. All of them make Government look ridiculous.

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I believe there was agreement that we must, at all costs, simplify procedures, that both administrative and legislative branches have some responsibilities in seeing that this is done.

I think finally there was agreement that it is not going to be easy. Fighting red tape is like fighting a pillow, you can hit it and knock it over in the corner, but it just lies there and regroups.

Q This meeting is being billed, as is the July 9 meeting as a regulatory summit, and the last time this Administration convened the summit, it dealt with the problem of inflation at a time when the public was concerned about recession.

Particularly, with the Congressional calendar full of problems, like antirecession legislation, and tax reform, what makes you think that there is a public consensus for this summit conference or this kind of discussion on regulation.

CONGRESSMAN WRIGHT: I am not certain that there is a public consensus for a summit conference or a discussion of this sort. I am reasonably sure, and my opinion was strongly re-inforced by reports from those who are closest to the public in their respective States -- and many of the States represented -- that there is great concern on the part of the public over a great deal of regulation all the way from the IRS on the one hand that touches to the newer agencies such as the Environmental Protection Agency and the Occupational Safety and Health Agency, which were created with high hopes to fulfill high purposes, but which in some cases have become so proliferated with jungles of red tape that they have become counter-productive for the purposes for which they were created.

I think there is a general public concern over that.

MR. HILLS: If I can bear with you a minute, Dr. Paul MacAvoy, a new member of the Council of Economic Advisers, would like to speak for a minute.

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MR. MAC AVOY: Let me just add two points. As an economist usually dealing with mathematical models, I was shocked by the unanimity of concern about the things that I always miss: First, too much paperwork; second, the proceedings take far too long; third, that the proceedings in good part end out protecting the interest of the commissioners rather than the consumers.

That is all in what we call variance in the data and it seems to have grown to enormous proportions, and perhaps the economic analysts ought to pay attention to that, starting now.

The second point is in the area of economic regulation I think there were two strong issues discussed, even if indirectly.

One is that if you look at the basis for regulation, the reason for starting regulation, it was supposed to serve as a substitute for imperfectly operating markets. It was supposed to do better than competitive or non-competitive markets in serving the interest of the consumer, but as you review regulation and transportation, energy, and communications the commissions have attempted to thwart the operation of competition wherever it may appear, so rather than substituting for markets it has tended to subvert what market performance there is.

In the area of energy, there was a point made that the use of historical costs and rate base procedures in the Federal Power Commission and the State commissions have wound down investment in gas and in electricity, and that the present gas shortage wasn't in good part due to the price freeze put in for a decade in the Federal Power Commission over wellhead prices in interstate commerce.

In the electricity area, this may very well be on the way to occurring in the next decade due to the slow and cumbersome and historically based rate-setting procedures of the State commissions.

That is enough for an economist, I think.

THE PRESS: Thank you.

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(AT 10:35 A.M. EDT)