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THE WHITE HOUSE

EXCHANGE OF REMARKS
BETWEEN THE PRESIDENT
AND
MEMBERS OF THE REGULATORY AGENCIES
AND ADMINISTRATION OFFICIALS

THE CABINET ROOM

2:08 P.M. EST

THE PRESIDENT: First, let me welcome you all to our second session. I remember very vividly the session we had before. I felt it was very constructive. I subsequently had the opportunity to talk to Members of Congress, on both sides of the aisle, and at both ends of the Capitol.

I think most of you recognize they have a very great interest in what we are trying to do. As a matter of fact, I think some of their efforts are probably as hard hitting as I hope ours are in trying to satisfy the industries and the segments of our society that all of you have a great responsibility and are deeply involved in.

I think in this session we have today my remarks will be kept to a minimum because I am more interested in hearing about what you have done and what your plans for the future are. I think we have to recognize that there are certain areas that more or less cut across each of your agencies; for example, the consumer, the small businessman and, of course, the taxpayers.

The latter affects not only all of you in a personal way, but as individuals who have a responsibility to handle a great deal of personnel, some more than others, and you all have a responsibility affecting our economy, and that affects our taxpayers.

We do have some mutual problems, both in the Executive Branch per se and also in the regulatory agencies. About a year ago I asked how many forms are required of business generally or of citizens generally. I think the figure was around 5,200, which seems awfully high, but we had it verified and I suggested to Jim that we ought to require that every agency of the Executive Branch of the Government, as well as others, do something affirmatively to reduce that onerous burden on individuals and on our society. The target is 10 percent by July 1.

Jim, I understand some are doing better than others.

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MR. LYNN: Yes, and we have had a complicating factor. As we dug into it, we found there are some forms that are never reported. We find also some departments and agencies show progress toward the 10 percent cut. They work from the originally reported figure because they count ones they didn't know about before from the old 10 percent number. It is uneven, that is the best way to characterize it.

THE PRESIDENT: We expect everybody -- and we will include the White House in that -- to get that 10 percent figure down. Ed Schmults and Paul MacAvoy have been handling this responsibility for me, and I would like at this point, Ed, if you would kick it off, and I will mainly listen and maybe ask some questions.

MR. SCHMULTS: Before we begin our discussion, I would like to make a few comments on the progress reports you all submitted at the end of the year. Reform of our regulatory system is a long-term effort, and we would like to see what you have accomplished and what you are currently trying to achieve.

There are some points that were not fully discussed in the reports, and I hope we can talk about them this afternoon as we discuss our future efforts. We would like to direct our discussion to what has been done and what needs to be done.

The reduction of agency backlogs and delays seems to be the highest priority for everyone here. There have been some marked achievements in this area, and it is interesting to see the various approaches you are taking to solve your backlog problems.

Several agencies are also taking a number of important steps to increase consumer representation in their proceedings. In some cases, however, the consumer seems to be equated with the customer who benefits most directly from a regulated service.

It is the American people who ultimately pay the cost of regulation, and all of them must be represented, too.

In general, there is less progress in improving the quality of economic analysis. Some of the reports show understanding of the importance of increasing and expanding the use of economic analysis in agency policy-making. Most agencies seem to be more limited in how they are using economic analyses.

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Finally, most of the reports were far from specific in what was needed to increase our reliance on competition instead of regulation. It is not enough to determine how we are doing things without questioning why. I hope we will highlight our efforts today on future actions in this area. On the whole the reports are encouraging and responsive.

I would like you today to report on what you consider your most considerable reform effort.

I would like to call on each of the chairmen to discuss each agency's efforts. In order to have time to consider all the agencies, I would ask each agency about your most significant reform success and that your report be kept to three or four minutes so we have time for follow-up questions.

You will recall we advised each of you we are making a transcript of the meeting and plan to make it public.

Let's begin with Dick Wiley of the FCC.

MR. WILEY: On behalf of the Federal Communications Commission, I am pleased to discuss once again the important subject of regulatory reform. At our last meeting on July 10, Mr. President, you outlined four areas in which you hoped to see some improvements in our service to the public. Let me comment briefly on the Commission's recent efforts in each of these areas.

Number one, elimination of antiquated regulations or those which stifle competition. For several years now, as our written reports indicate, we have undertaken a major deregulatory effort designed to eliminate needless, outmoded and overly burdensome regulation. We have, for example, modified or deleted over 400 rules in broadcasting and have made 25 major reforms to our cable television policies.

We have made a special effort to reduce regulation of the small businessman, the person on whom the burden of Government paperwork falls most heavily. This is perhaps best exemplified by our new short-form radio renewal application, adopted just last month.

The Commission has also placed considerable emphasis on rule changes in the common carrier field which have the effect of introducing competition in place of monopoly regulation. This has been true in domestic private line services, terminal equipment, land mobile radio and international communications.

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In each of these areas, the Commission's actions have provided an opportunity for our free enterprise system to function, and the result has been to afford the individual consumer and the businessman a greater variety of modern communications options and alternatives and at reduced costs.

Three weeks ago, for example -- and I think this was our most significant effort -- the FCC greatly expanded the opportunities for competition in the telephone equipment market.

Number two, procedural delay. In July of 1974 we created a task force to undertake a comprehensive re-examination of the Commission's adjudicative rules in order to eliminate unwarranted delays. Last month, the FCC announced a major overhaul of our historically cumbersome and time-consuming hearing procedures.

Without going into detail, let me simply say that these innovations should result in decision-making which is faster, more efficient, and I believe more responsive to the public interest. The problem of agency delay has also been addressed in the context of an extensive backlog reduction program.

Number three, expanded public participation. In the last two years, the FCC has substantially increased the opportunities for citizens and public interest groups to express their views to the Commission and to contribute to our decision-making.

Specifically, we have instituted a regional meeting program in which the chairman, other commissioners and key staff personnel have met face-to-face with the public in such major urban areas at Atlanta, Chicago, Boston, Denver, Los Angeles, San Francisco and Washington, D.C. These sessions are supplemented by monthly full commission meetings which are open to groups seeking to present their views to us.

We recently have instituted a new weekly publication -- distributed to public interest and consumer organizations -- which summarizes FCC decisions and invites comments on our rule-makings.

Just last month, in a significant action, we announced the opening of a Consumer Assistance Office whose function is to provide personalized aid to the average citizen in finding his way through the bureaucratic maze.

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Number four, economic impact analysis of regulations. A basic principle of regulatory reform is to insure that necessary regulation be as effective and efficient as possible, both in terms of the resources consumed by regulatory agencies and the economic consequences which these rules may have on the public.

The FCC is now implementing a Program review analysis to give the Commission detailed information on the resource impact of major policy decisions and to review existing programs and operations from a cost-benefit perspective. The ultimate result of this project should be significant budgetary savings, a better recognition of the Commission's regulatory mission and a greater understanding of the specific economic implications of our regulations.

Five, remaining problem areas. Despite our efforts, we cannot suggest, Mr. President, that the FCC has overcome all obstacles to optimum efficiency. One significant problem that has received a good deal of recent notoriety is Citizens Band radio. The principal difficulty here is the veritable explosion of consumer demand in the last year.

THE PRESIDENT: How did Mrs. Ford get that?

MR. WILEY: We are now instituting, I might say, an operation where every citizen can get a temporary permit, so it won't only be the First Lady.

In early 1975 we were receiving about 50,000 applications a month. This year, the figure is over 550,000 per month. Associated with such a phenomenal rise are the problems of application backlogs, unlicensed and illegal operation, interference to broadcast and other home entertainment services and spectrum overcrowding.

We have moved to deal with this situation by simplifying our rules and forms, automating our licensing program, investigating alternative licensing procedures and considering additional spectrum space for the service.

We don't have all the answers to CB as yet, but if members of the public enjoy using this service -- and apparently they do including, I note, the First Lady, better known to her fellow CB'ers as KUY-9532, and I might say other members can also use that (Laughter), we will be listening for you -- the Commission must find new ways to permit them to do so without impairing other communications services.

In conclusion, Mr. President, let me reiterate the FCC's full and vigorous commitment to deregulation and to overall reform of our service to the American public. We look forward to continuing to work with you and your staff in this very significant undertaking.

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THE PRESIDENT: Thank you very much.

MR. SCHMULTS: Dick, does your experience with the citizens band problem suggest you might explore, in addition to the other steps you are taking, widening the exemption area so you wouldn't have to go through a licensing procedure process?

MR. WILEY: We have looked at that. The greatest problem is the spectrum is not discreet. If you have interference in one portion of the spectrum, inevitably you will have interference in other portions. We believe the licensing procedure is the single greatest tool for enforcement.

What we are doing, as I suggested to the President, the problem has been the people get the equipment and then have to wait six weeks to get their license. Temptation comes in and they start to utilize the equipment. We are setting up a temporary permit authorization. We will at that time have an informative, simple, easy to read pamphlet which tells the very basic regulations, what is necessary in order that all can enjoy this service. If it is not regulated, there will be chaos because of the closeness of the CB bands to broadcast bands and there will be interference.

We might be able to go to a total deregulation but I think that is in the future.

MR. STAFFORD: Could I make a cross-reference?

MR. SCHMULTS: Yes, surely.

MR. STAFFORD: I don't know whether it was before Dick or not, but the FCC asked us to get involved because the truckers were using this in the strike two years ago. It really had us all tied up and they were, as you may recall, really using them to benefit, tie up all the commerce that was trying to move. So the FCC asked us to get involved and try to hold them down because they didn't have authority in that area.

So we put out an order then in effect threatening them a little bit, but that was about as much as we could do. But it gave truck management a lot of authority to tear them out of trucks.

Now we find that a lot of the truckers -- a lot of the management now like the idea of having them in there because they are cutting down on their loss and damages they are having because they immediately put out the CB report the second they have lost a truck loaded with something very expensive.

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One of the largest truckers in the Southeast told me they were now cutting their losses better than 40 percent. They don't care about anything except getting their truck back with their load. So every taxi driver, everybody immediately knows he is going to get \$1,000, \$5,000 if he is the one that turns it in and they immediately move in on them.

They have been catching many of these trucks. They don't say we will not pay you until you can put somebody behind bars, we will pay you just to get our truck back.

MR. WILEY: The police are even now using CB. It is the one spectrum where every man can use the radio. I think we have to find a way to facilitate this.

MR. STAFFORD: I would be concerned if you tried to deregulate that too much.

MR. MacAVOY: One of the fastest areas in new technology is the communications industry and it appears to us we are on the edge of an explosion in communication from the use of satellite technology.

Is the commission prepared to deal with the problems of entry permits, and rate setting as this new technology develops?

MR. WILEY: I think so. We have seen this coming for some time. I think I would tend to agree with you satellites portend a tremendous revolution in communication services. We have adopted, I think, a modified open entry policy because we do believe in competition in this area. A number of companies are making great investments to use birds and to develop this new service.

We think that we have prepared carefully for this, starting back in 1972. We think we are ready for the revolution that will come.

MR. MacAVOY: The interest is by private companies and telecommunications companies. Are they able to compete on an equal basis?

MR. WILEY: I think they will be, yes. That has been the basic concept we have had. The Commission did make a decision to place a limitation on the American Telephone and Telegraph Company in this area. I must say the chairman and I dissented. That is the best way to get this new system developed and in the most productive way possible.

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MR. SCHMULTS: Thank you.

Could we hear from Mr. Bagley of the Commodity Futures Trading Commission?

MR. BAGLEY: The first thing we will try to do is change the name of the Act. You don't know what the people call the Commodities Futures Trading Commission.

Mr. President, gentlemen, let me take a little different tack rather than trying to regale you with what we have done in our 11 months of tenure. I think it makes a little more sense from my standpoint in trying to help you to look ahead at what all of us should be doing from the perspective of somebody who just came to town.

I don't want to burden you with a restating of our unit, but the only point is we do not have regulatory delay; by the fact of the calendar we don't. We don't have regulatory conflicts and conquests. We don't have regulatory malaise. We haven't been around long enough to suffer hardening of the categories. So it wouldn't be fruitful for me to sit here and try to tell you we can make our decisions in three weeks -- big deal. But the fact is we do.

I think it is more fruitful to try to broaden our perspective and talk of the broader problems and, hopefully, solutions that the new boy in town sees when he becomes all of a sudden chairman of a regulatory commission, having served his former life as a legislator and, wow, it is different. (Laughter)

I miss the accountability and commonality of a constituency. Commonality, meaning there is a thread that makes participatory democracy work, but that thread isn't there just because the President appointed five different people. That doesn't make for constituent democracy.

So the biggest problem that you asked about that I foresee is how to first of all formulate the concept of and then build a broader constituency. That goes over the whole gamut, the whole spectrum. It is sort of obvious but, believe it or not, in our first discussions in this new commission, there was disagreement on whether we should try to build a constituency. Having agreed that that is something we darned well better do, then you try to look in the direction of where you want to go. It is the luck of the draw as to where you end up -- five guys, all good people -- but it is the luck of the draw whether three guys go in that direction and two in the other because there is no inherent constituency.

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So what do you do? You try to create. In my humble opinion, this, I would say, is your major successful effort at regulatory reform, an atmosphere of openness. I am talking of open meetings.

The Consumer Product Safety Commission and recently the Federal Trade Commission, joined us by resolution in our open meetings.

There are three or four bills in Congress and many are nightmares. They create a bureaucracy of openness but there are too many rules of how you do it.

Mr. President, I think perhaps you are endorsing the concept, and the States, cities and counties in the last few years -- California since 1973. I found out that the City Council of Grand Rapids passed a resolution that they were going to have open meetings. The concept is here.

It also helps to build a constituency. That is the point.

Another way to build a constituency is to look at the so-called sunset laws. Colorado just passed one. There are three or four on the Hill. Again, there are problems with those bills because some of them contemplate immediate self-destruct of everybody here. You can't do it that way. But, again, for the purpose of accountability and constituency building, if you had a phase-in system where one entity, one agency every year over a period of 15 years with recurrent necessity to reauthorize, not just budget, reauthorize the very existence -- nobody is going to get rid of all the agencies, but at least there will be an occasion for rewriting of the law. That makes Congress more mindful of their obligation and creates in them the concept that they are the constituency.

The third area, we will talk of data reform, getting rid of the forms. All well and good, we will be doing that. We find some have been around since 1922 when our predecessor agency was enabled, but in addition, not just for the sake of efficiency, but again for public access, let's make those forms and that information something that the public can get to, can have access to and thereby understand what we are doing. Let the public in. Let them participate and create that atmosphere of participation.

Lastly, and I mean this, if all of that doesn't work -- and I have my doubts as to whether it will: I took a quick look last night at the Ash report and their conclusion was in many instances the multi-member commission without a constituency, without built-in accountability has problems.

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I would very seriously recommend that your people look at the idea again of advocating a little surgery rather than cosmetics to really shake the regulatory tree.

THE PRESIDENT: Did you find when you and your associates went in and took over that you were surprised, pleased, or felt otherwise concerning the operation of a commodity market?

MR. BAGLEY: First, I was amazed that the industry existed. I was neutral. As far as the markets, they had been doing well, so there wasn't any major surgery on our part to undertake. We basically had to let them know we were not going to "Mau-Mau" them out of existence; that we weren't going to upset their marketplace.

There are an awful lot of things, simply because of our new jurisdiction, that were not undertaken. That doesn't mean overregulation; it means from our standpoint making the market a better place and, therefore, helping it grow as it becomes more credible. That is sort of our regulatory philosophy.

From the standpoint of the overall picture, I really believe if you don't have this concept of a constituency and accountability built in, then you will get captured sooner or later. Therefore, I would seriously consider taking a longer look at the Ash report and converting some of these agency heads to become accountable to the White House and accountable to the Congress.

I have one further thought, a regret which I have to express. I am sorry that my regulatory responsibilities prevent me from campaigning -- that regulatory agencies don't allow me to get out and do what I would like to do.

MR. SCHMULTS: Thank you. You have given us all some good thoughts to consider.

Bill Anders of the Nuclear Regulatory Commission, could we hear from you?

MR. ANDERS: Mr. President, the Nuclear Regulatory Commission's primary responsibility is to assure effective public health and safety in the use of nuclear power. We discussed this rule here about two weeks ago and I want to assure you that responsibility is being met.

In addition, a key personal motivation of mine was to make the regulatory process not only effective but also efficient. By an efficient process, I mean one not fraught with delay, but one that is consistent and predictable and which facilitates industry planning.

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My colleagues have given me their full support and share my belief that procedural regulatory improvement and the development of a realistic regulatory ethic is completely compatible with our health and safety responsibilities.

I will hit some of the high points of what we have been doing. We have been eliminating regulations that were unsuccessful or unproductive and making cost impact value assessments. The Commission revised its requirements for control of radioactive effluents from nuclear power plants when we determined the cost of additional equipment did not result in significant public health benefits.

Furthermore, we revised our original implementation plan for these new requirements when it was itself shown not to be cost-effective. Such impact value review is now a basic tool used in evaluating proposed regulatory actions by our Senior Regulatory Requirements Review Committee.

We have also taken a number of specific actions designed to increase regulatory efficiency, particularly in reporting requirements. These have been refined and reduced substantially to improve the focus on safety.

We have arrived at a more realistic estimate of the frequency that information is needed for regulatory purposes. First year operating reports have been eliminated, and subsequent reports are now annual instead of semi-annual. As a result, the volume of paperwork provided from each reactor licensee has been reduced by several hundred pages a year without adverse impact on safety.

We have also placed considerable priority during the past year on alleviating prime difficulty for the nuclear industry and the affected public; that is, the difficulty in planning in the face of uncertain governmental regulatory policy.

We are continuing our efforts not only toward eliminating unnecessary time in reaching regulatory decisions but also toward stability and predictability in the decision-making process. It is in this latter area of stability and predictability that I believe greatest potential payoff to the consumer exists.

As an example, we published a complete description of how the NRC staff is going about its safety review of nuclear power plant applications. These so-called "standard review plans" are enabling industry to plan with greater certainty, and have resulted in a more disciplined and predictable review.

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Furthermore, when industry knows what is and what will be expected of them, they can plan and utilize their resources more efficiently, thus providing the consumer more cost-effective energy and a safer product.

I believe we established a number of organizational structures and probably, more importantly, enthusiastic staff reports which will assure that the concepts of both efficiency and effectiveness are built into the ways we carry out our every day business. These can be expected to have significant benefits to both the taxpayer and consumer. Much of this benefit will not become directly evident as it will consist simply in avoiding unnecessary bureaucratic growth and unjustified requirements.

Additionally, Mr. President, we are strongly supporting legislation which your Administration has proposed on the Hill and which we are in favor of for new licensing procedures for nuclear power plants, particularly related to nuclear safety and regulatory efficiency.

After I leave, Marc Rowden, our Chairman-designate, is particularly interested in this and will continue the efforts that we have already begun.

Mr. President, Mr. Chairman, that is about all I have to say.

THE PRESIDENT: You mentioned the meeting we had here several weeks ago where I got the full briefing on safety, safeguards and other matters involving nuclear power, primarily because of a situation involving California. I noticed the other day in Michigan -- my home State -- petitions are being circulated to get a referendum on the ballot in Michigan. I assume many of the same provisions are included in the California ballot. They are striving to get it on by the election this fall but apparently they are not getting as enthusiastic responses as they did in California. But if not, they will certainly aim for 1978. So this problem in California is obviously going to be a problem in other States.

MR. ANDERS: California will be the bellwether of this whole affair and is the one we are watching.

These folks who have a negative view on nuclear power--the regulatory hearing process is one amenable to being used for delay; in fact, that delay which still exists in the process is mostly attributed right to that segment. There is not much we can do outside the hearing process to make it much better.

The California situation, which comes up on June 8, I believe, is one that is particularly insidious in that proposition 15 is written in such a way that if you don't understand it, you will vote for it and support it automatically.

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MR. SCHMULTS: Thank you.

Now we will hear from the Securities and Exchange Commission. Rod is one that has gone from the frying pan to the fire in terms of regulation.

MR. HILLS: Our efforts have been to institutionalize our procedures. Our new Director of Economic and Policy Research, which is a brand-new office for us now headed by a prominent economist, is determining whether a proposed regulation is worthwhile. We are monitoring to see whether our regulatory objectives are met and, if not, those regulations will self-destruct.

In February we began an extensive study of the disclosure policies which have been developed by the SEC over 41 years. We have a prominent advisory committee which will oversee what is a major staff effort which we believe will result in not only a new disclosure policy but a very substantial savings in money each year to the public.

This month we have approved a major additional effort to change and modify all of our forms and the underlying regulations. Jim will know better than I what 10-K, 10-Q and 8-K means. Our change in just form 8-K will result in a 44 percent reduction in the number of 8-Ks filed. The underlying regulations, it will mean 75 percent of all the advertising expenses in an adversary proceeding will be eliminated. The savings annually will be in the millions of dollars from that one point.

In March, we began an examination into all the regulations and laws pertaining to money management and are seeking an alternative to money management. We have a new division director, all new associate directors and a new chief counsel. In our judgment, within a short period of time our management of money management will be entirely new.

Last month we appointed a Director of Small Business Policy to increase the ability of small businesses to raise capital, an effort we think is quite promising, an effort supported by the entire securities industry.

Four months ago we adopted the so-called focus reporting system for local dealers. This reduces the paperwork dramatically because it means there is now a single form to be filed with the Commission for all self-regulated industries and regulatory agencies of 48 States. It reduces reporting by 98 percent. One of the largest brokerage firms in the country has told us the reduction of their audited fees is 50 percent by this one change.

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Four months ago we began an evaluation of proposed regulations or rules and, as a result, we have withdrawn entirely 28 outstanding rules proposals.

We found opinions in our administrative proceedings were taking two years to come down. We found the typical opinion took one year. Our attempt to reduce that typical opinion to 30 days is almost complete and it will shortly be at 30 days. We found we could not track in any fashion the delays in the thousands of filings made with our commission every year.

As of last month, after a great deal of work and a great deal of help from the OMB, we now have a computer run that gives our managers a chance to identify every filing within a week or two after it develops. The OMB approved our request with your support, sir, for money to convert all our files to microfilm. That will further speed our work, reduce our staff and save us a great deal of money, and will include a reduction of 35 people from our personnel.

We eliminated fixed commissions, a practice standing for 182 years. I think it is the only time that a commission in the history of the Government in a rate making situation got out of it.

We believe that the efforts I have described will produce comparable results and comparable endorsement in the months ahead.

THE PRESIDENT: What has been the net result to the consumer with the elimination of rate making?

MR. HILLS: I think Ed made a good point a minute ago. It has been difficult for us to find out who precisely our consumer is. To date, the consumer has benefitted only to the extent he has been a participant in an institutional buyer. The cost of buying stocks through an institution is 5 percent. The same savings has not been passed on to individual buyers in precisely the same way because they don't yet have the effective muscle to have the brokerage firm reduce their rate.

What we have found out is that the industry has been pricing their commodity in the wrong fashion. Having a fixed rate, they never tried to change it. It has now moved to a fixed share cost instead of a percent. If the stock was \$100, they were charging \$5.

But now, industry is finding the cost is more related to the share. We are beginning to show the industry what it is costing them on a percent per share. That has shown the industry today in every category the cents per share cost to consumer is even a tiny bit less than it is to the institutions. So I think there is no doubt amongst any of us that the cost to the consumer to buy a share of stock has been dramatically reduced.

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I might say we are in mid-course of causing competitive market making in the securities industry. Today, on listed stocks, there is a monopoly position and we have reduced that monopoly position in a dramatic way for agency transactions.

I think we have a growing consensus in the securities industry and certainly have a regulatory intent to eliminate this monopoly position. Once that is taken away and there is true competition in making the market stocks comparable, there will be another dramatic reduction in cost of stocks to the consumer.

MR. MacAVOY: One of the arguments that seems to be the strongest or the most often presented in eliminating control of the commission was the service to the small purchaser; the individual buying a few shares would be eliminated, chaos would break out and, the result of the chaos is there would be no more service for small purchasers.

Have you tracked the effect not on the prices but the quality of services?

MR. HILLS: Yes, we have, but the phenomena was nobody bothered to price the individual service, but everything came together and they got their price. I know of no individual losing service except many parts of the industry are having a hard time trying to figure out how to develop their services, but they are trying.

The issue of how to provide the right kind of service to the right kind of buyer is very much in the developing stage. We tried very hard to find who was going out of business. A lot of companies have, but there was by no means a dramatic exodus. We spent as much as four hours with people that went out of business trying to find out why.

One businessman came to us and said, frankly, they hadn't realized it but they were not in an economic business, were not doing anything that made sense. We are now trying to find out the type of investment advice people want and charge them. Instead of making people pay for services they didn't want, we are allowing people gradually to get the services they do want.

Traditionally we have said people sell stocks but don't buy them. The amount of stocks owned by institutions that do their own research has grown dramatically. Many individual stock purchases are now done by institutions, so by unbundling services we find people are developing services and hiring people that can produce the kind of services they want.

I think I can say there has been no loss of essential services anyplace. We have no consumer complaint they can't get the kind of services they want.

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MR. SCHMULTS: Thank you.

George, could you tell us about your success at the Interstate Commerce Commission in the area of regulatory reform?

MR. STAFFORD: Mr. President, I am honored to have an opportunity to follow up our meeting of some months ago.

Because the ICC currently is engaged in implementing quite a few significant reforms initiated by our commission or mandated by our recent rail bill, the rail legislation represents a major rethinking and re-evaluation of the Federal controls over the transportation industry. The effect has been to redirect the efforts of the commission, reaffirm the needs for regulation in the public interest and to reinforce the importance of competition in our economic environment.

Last July, you established four goals toward which all agencies should strive. The ICC fully supports those objectives and they are and have been always foremost considerations in our policy deliberations.

At the end of last year, we apprised the Office of Management and Budget of our activities regarding the four-point program. Our programs are progressing to the point that we are seeing significant results regarding regulatory lag -- our backlog is down, and our output is up. Consumer assistance, though we feel it is very good now, will improve by the creation of the Office of Public Counsel.

We are assessing even more carefully the impact of rate changes on consumers. We have added a whole new force to watch for consumer problems in new rates. The economic consequences of regulatory programs are receiving greater attention today than ever before. We have reorganized our whole economic section with specialists in every area, including our continued efforts to make sure the American rural community receives adequate service, to allow the small businessman to remain competitive in the marketplace, to provide the consumer with tools to participate on more equal terms.

We are analyzing the causes and extent of empty truck movements and conducting cost benefit surveys on the effects of regulation.

In the area of reduced regulation we have a number of activities underway, including a proceeding to remove most rail rate regulation where effective competition exists. The commission is proud of its responsiveness to your four-point program.

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I have with me Commissioner O'Neal of our commission and he and I will be happy to answer any questions.

THE PRESIDENT: How are you doing on the gateway problem?

MR. STAFFORD: We are doing very well on that, Mr. President. In fact, with the exception of a very few cases that we have been taken to court on and perhaps 15 or 20 major problem cases, we have put out about 30,000 cases in that and we are in the process now of trying to evaluate whether or not -- one of the agencies was trying to decide just how much fuel we were going to save as a result of this and they told us it looked like we would save, as I recall, about 3 million gallons of fuel.

THE PRESIDENT: Three million a year?

MR. STAFFORD: I believe that was every month, but we are now going out to find out actually what is happening on this. We are asking for their figures before and their figures afterwards. I must admit, this has gone the other way on your other requirement to cut down on reports to be filed, but this is a one-shot affair in order to try to just find out if it really was the kind of a saving, because, if you recall, if it was less than 20 percent circuitry, we let them stop; if it was more than 20 percent circuitry, we said you could not operate that way any longer. We are making very good headway.

THE PRESIDENT: I will be very interested in that report because, at the time of the oil embargo, it was called to my attention on several occasions how much in the way of diesel fuel on a particular run they had to waste because of the problem.

MR. STAFFORD: Then our favorite word, "backhaul," got involved at the same time on waste of transportation. Of course, backhaul is really a catch word that a lot of people use and it just really means how much empty mileage do these regulated carriers have.

Our studies, there are two different studies we have had and it comes up to about an overall 7 percent, but we are spending a whole year -- this year, actually -- going out to weigh stations all across the United States and we are checking very scientifically. We are working with the Department of Transportation and with one or two of the other agencies to have something really worthwhile. So we will know, and you will know, whether our figures have been right or not -- and we want to know.

THE PRESIDENT: How soon will you be actually utilizing the new rail revitalization and regulatory reform, if that is the right title?

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MR. STAFFORD: As you know, there are many deadlines and many studies that have to be made. In the rail area alone, we have some 20 studies or definitions that we have to work out. In that bill, it gave us certain time limits we have to work those out. We are on time so far in most of those.

We think it is a good bill. We may not think so after we finish making some studies to find out what some things may mean or not mean in the context of running a railroad.

MR. SCHMULTS: Thank you very much, George.

Dick Dunham, may we hear from you and the Federal Power Commission?

MR. DUNHAM: The problem we found ourselves faced with in the last three years is that the number of filings with the Federal Power Commission have increased from 7,200 to 15,315. Now, during that same period of time, the major decisions reached, the resolutions increased by a great percentage, from 72 to 317 but, nevertheless, we are very much at the present time on a treadmill running faster but going backwards all the time.

So some of the procedural steps we have undertaken is first to establish a case control system for the Commission itself. It has been alleged by many people that we regulate that some of their applications and filings have gotten lost in the Commission. We found that we could not disprove that complaint. (Laughter) So essentially we adopted a case control in order to get the track of filings.

We have adopted what we call a top sheet procedure. Under the former practices every item of an application was subject to the entire evidentiary process and both staff and all intervenors had to introduce testimony on all items of a pending application even though there was no dispute on the facts or anything else. So we have adopted this procedure where, if there is no dispute or difference of opinion in terms of the facts or the issues, or the policies that are involved in a particular application, they will be automatically settled up, which will allow, I hope, to raise to the service the issues probably subject to litigation in a more formal procedure. We are very hopeful that will help.

One thing this Commission cannot take credit for -- but we are now seeing fruition from -- is the regulatory agency processing procedures. We expect in 30 days that the number of forms that we require in the regulated industry will be reduced from 50 to 15. That is an even higher proportion in terms of the amounts of information that the regulated industry should furnish to us. It is not combining 50 forms into 15 forms.

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THE PRESIDENT: I was going to ask that.

MR. DUNHAM: I anticipated that.

Some of the forms required a lot of historical redundant information and we will update that. It is a substantial improvement and, assuming we get it through, I think it will have a very profound effect on the amount of information required from the industry and thereby the means of exchanging information with us.

THE PRESIDENT: Why do you have to go to GAO?

MR. DUNHAM: Because new forms have to be cleared by law.

THE PRESIDENT: I thought it was OMB.

MR. LYNN: It used to be that way. There is a little tug of war going on in GAO as to how far the authority extends.

THE PRESIDENT: That was included in the Alaskan Pipeline bill.

MR. LYNN: Yes, sir.

The Paperwork Commission is showing a great deal of interest in this area and had testimony from us at OMB and from the GAO with respect to the reach as to forms in the regulatories, and a letter did go out from the Paperwork Commission to the heads -- or is about to, I don't know whether it has been launched or not -- asking their cooperation, and I think we should see some real action there. I haven't talked to everyone but the ones I have talked to on the paper matter as such -- which is linked to the whole regulatory process, but in some ways can be attacked separately -- but I feel that everyone does want to cooperate. But, as to that, whether the existing relationship is the right one as to the review of forms and what kinds of authority, whether in OMB or some other place, that is an issue.

MR. DUNHAM: We are not asking for new sets of information. It is just a different format. We have joint jurisdiction in many cases with States, where the responsibility is split. We work closely with the State regulatory agencies and to work out the same information we can proceed on a joint basis. They will have access into our information and we will have access to theirs so we can coalesce it, and I think that will have a real impact.

Again, it will be helpful in that both the States and Federal Government can begin with the same basic information instead of disputing whether somebody had a different time period or why the figures are different. I think there will be a great deal of payoff on that.

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Another procedure is what we call effective planning procedure where we solicit the regulated industry, our own staff and the general public on issues that they see coming forward. The attempt here is to get us away from considering solely the case-by-case analysis.

It appears to us that, when you examine each case, when you argue each case, when you analyze it and everything else, the ultimate resolution of the case has many, many factors of law, economics and everything else and it is hard to pick out the theme, the policy theme that runs ahead of it.

Now if we can establish this process, if we can set policy guidelines, rule-making guidelines, whatever, where the regulated industry and everybody, the general public included, will have an idea of the guidelines, the type of things, the range of area instead of being, as it appeared to us, being caught in looking at each case, weighing the different factors involved in each case maybe differently or inconsistently with preceding or future cases.

We have undertaken or hope to undertake an organizational study of the Federal Power Commission. There has been, that we can see, no major rethinking of how the Commission itself was organized since about 1950. So we think it is about time to look at the approach of the organization.

Other measures that we have taken to improve public perception of the Federal Power Commission, we have agreed and have held meetings in other places, and Washington, D. C., to try to get a feel. We expect to continue that.

We are also experimenting with -- it is a difficult legal matter -- holding joint proceedings with State regulatory commissions. Frequently in major hydro site applications, for instance, both the State has certain powers and the Federal Government has others. Sometimes the resolution of matters are much delayed. It is a difficult area but we are trying to work out ways to accomplish that.

We have decided to, and did adopt a resolution to open our public meetings to the general public for observation. That is on all nonprotected matters. There are a lot of items that come within the Privacy Act but the nonprotected areas will be discussed in a public forum so they can see how we arrive at decisions.

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To go to your third section that you asked us to comment on, and for the problems that we see coming up, the primary one is the natural gas situation. We are in almost a very difficult position, as you are very well aware, of trying to attract to the interstate market gas which, under our rules, under our process is priced at about a third or fourth the price of nonregulated gas. It is a difficult matter and we have not been that successful in adding additions to the interstate market.

Aside from the new gas price situation, leaving that aside for a moment, it seemed to us it would be very helpful if the law were changed, either added to or changed slightly in the definitions under which we now operate, because the constraints that we operate under, our Natural Gas Act was adopted in 1938, and hundreds, if not thousands of cases of litigation, many in all kinds of superior courts, many, many in the Supreme Court, which limit and constrain the elements we can take into account in changing this equation.

We cannot, except to a limited extent, take into consideration price factors, market factors, costs of alternative fuels, things like that, so that is a very difficult thing. So, quite aside from the question of whether price regulation should be discontinued, it would be most doubtful unless there was some change that would give us the latitude to perhaps begin again.

MR. SCHMULTS: I think we are going to have to step up the pace a little to keep on schedule.

Carl, could we hear from you next?

MR. BAKKE: Mr. President, when talking about the subject of regulatory reform, I think we need to distinguish between administrative reform and substantive reform in the administrative process.

Administrative reform, by and large, is susceptible of unilateral action by the agency whereas substantive reform is a matter that is in the hands of the Congress, by and large.

What I would like to do today is to discuss the two conference topics in those terms. I think in doing so our most significant reform effort has been in the administrative side through creation of an internal committee on expediting the hearing process. That is under the guidance of Vice Chairman Morse, who is sitting right behind me today, one of our administrative law judges, the Commission's secretary and the deputy commission counsel and the hearing counsel. We are publishing a proposed public procedure reform in the Federal Register and inviting comments.

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This committee has been active since its inception and some of its recommendations to date have resulted in the promulgation of sensitive target dates, the sequential steps, discussion and final decision in commission proceedings, decisions and interlocutory appeals.

In addition, there have been amendments to the Commission's General Order 16 which includes establishment of a date by which evidentiary hearings before administrative law judges shall commence filing of complaints and motions, specification of what must be contained in pleadings in matters subject to the Commission's expedited procedures, and early commencement of first round discovery and establishment of uniform procedures, such as depositions, interrogatories, demands for production and request for admissions.

There are additional procedural reforms that the committee has proposed and I would hope in the very near future to see those promulgated, as well. These include pleadings comparable to those required by many district courts for the purpose of narrowing the issues and identifying statute or case law.

Also under consideration are special expediting procedures for domestic rate cases and liberalization of authority of our administrative law judges to interpret or modify commission orders of investigation in light of circumstances arising as the proceeding goes forward.

Finally, requirements of a more detailed specification at the outset concerning terms and conditions of proposed joint agreements by ocean cargo carriers or others.

So that, in a nutshell, I think, are the salutary consequences of the Commission's attention to areas that are susceptible of its own initiative. There are other more serious problems of a substantive nature that, much as we would like to institute reform, we would require legislation and I think the most difficult single problem and the most persistent problem that we have with respect to regulatory reform is the fact that the Congress has not yet established a comprehensive national transportation policy.

The result of that is that the agencies find themselves at cross-purposes or even in situations of head-on conflicts, as in the case of ICC Docket 261, that I am happy to say was resolved by amicable negotiation rather than litigation. But a year ago at this time it didn't look quite as promising.

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Moreover, the shipping laws that we are charged with administering today just don't take into account present day technology and, again, in the context of a national transportation policy, this creates a great many difficulties.

For example, ocean carriers may absorb inland transportation charges to permit containerized traffic to go to a single staging area rather than requiring the vessel to go into many ports in the same area.

This is done for many practical reasons because, if they can get all their containerized ocean cargo into a single staging area, the costs required for handling containerized traffic can be minimized.

Now, this particular issue of absorbing inland transportation charges is a major issue in a substantial number of cases before the Federal Maritime Commission at this point. This involves the so-called mini-bridge, maxi-bridge, land-bridge modes of transportation which puts us over into the ICC's area of expertise and I am sure George will say regulatory peremption but, be that as it may, it is a serious problem and the question before the Commission, very frankly stated, is whether absorbing inland transportation charges under circumstances I outlined are a violation of the shipping statute or permissible within a rank of construction of the statute at the outer end of the spectrum.

The consequence is that the Commission staff and, above all, the shippers and the carriers and ports and hangers-on in general, are spending an exorbitant amount of time and do not reflect the impact in the real world of technology. In this case, it is the containerized ocean cargo but there are others as well.

Containerization also impacts on port development and internal facility plants because of the capital intensive nature of the shore areas needed. If there is a tremendous area of economic impact that is absorbing an inordinate amount of time of our agency, and I am sure the ICC and perhaps even the Civil Aeronautics Board, it arises out of the fact the statutes we are charged with administering are archaic.

THE PRESIDENT: Let me ask this, Carl: Is the Commission or are the related commissions preparing for submission to the Congress new legislation that would meet the current requirements and related matters, or just doing nothing?

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MR. BAKKE: No, sir. Speaking for the Federal Maritime Commission, we are setting in motion a comprehensive and searching review both of our statutory authorities and the regulations we have promulgated to implement those authorities specifically with a view to updating them and stripping away the anachronistic or archaic features of our basic authorities, perhaps of necessity adding additional statutory authority to optimize our functions in the real world of today.

I think by the beginning of the next session of Congress we will be in a position to come forward with a number of proposals in that respect with the benefit of Mr. Lynn's good office in clearing off on them.

MR. SCHMULTS: Thank you.

Cal, could we hear from you and the Federal Trade Commission? We will have to cut the next three presentations rather short as the President has a bill signing ceremony outside. Please be as brief as possible.

MR. COLLIER: Mr. President, Lou Engman, as one of his last acts as Chairman of the FTC, wrote to you about some of the specific steps that are being taken by the Commission that relate to your four-point program for regulatory reform, which I should add, we fully endorse.

Looking forward, I am hopeful the Commission's efforts at cost benefit analysis can be institutionalized and expanded. This kind of analysis, done correctly, is no easy task. Equally difficult is the job of educating the staff within the agency as to how to build high quality analysis into their thought processes and recommendations. This has to be used to predict the effects of proposed regulations and other actions and also to monitor and evaluate in retrospect what the effects of such actions were. Regulators can't be allowed to bury their mistakes in the Code of Federal Regulations.

I have been particularly encouraged by reports on a program that began when I was general counsel. This program was designed to scrutinize the inventory of our accumulated trade practice rules and guides dating back decades to determine whether they should be rescinded. To date, and after public comments, 61 such rules and guides have been reviewed and over 90 percent revoked. Another 90 or so will be going through the same process in the coming months.

Your call for competition as an alternative to economic regulation is sweet music to the commission's ears. We believe that is what the FTC is all about.

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Perhaps the most attractive areas for reform are regulatory delay and consumer under-representation. As we are often reminded by the Bar and occasionally the courts, one man's delay can be another man's due process. We have made progress here both by changing our procedural rules and by better management, and that has resulted, for example, in a 33 percent reduction in the average age of pending investigations during the last year.

Effective consumer participation in commission proceedings is made very difficult by the high costs that such participation entails. And although we are open to suggestions from sister agencies who face similar problems, I confess that we don't yet have all the answers on that one.

MR. SCHMULTS: Thank you, Cal.

Dick Simpson, may we hear from you on the Consumer Product Safety Commission?

MR. SIMPSON: Our commission is about three years old and we have authority over about 10,000 products. We have undertaken several initiatives over the last three years to increase and involve consumers in our activities and it works throughout our agency. We have a meeting policy that requires every meeting with any official in our agency, down to the lowest level, with outside parties to be open to the public, to be announced in advance, and anybody in the United States is invited to attend. It really does work and isn't very expensive. Generally, no one else shows up but there is no speculation as to what went on and what arm-twisting there was.

We have also had very effective volunteer efforts from consumers. We asked for help and have trained over 4,000 citizens from all walks of life, retired citizens and students who have helped in surveillance projects in industry. We have tried to improve our ability to set priorities in a rational way and measure cost of the activities we undertake and the benefits. We have not completed our estimates on that job, but we stand behind our estimates.

The regulations by the industry that will be completed this year will prevent about 65,000 injuries this year, and included in those are injuries by ingestion of aspirin by children; a similar reduction in deaths of children under age 5 in prescription medication deaths.

We have undertaken from the outset several activities to encourage self-regulation. I particularly believe in that. I am not cut out to be a regulator but here I am. We have encouraged our technical staff -- technical and scientific staff, to participate in activities. They have been doing that for three years. It does not infringe on our ability to regulate.

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We have been citing voluntary standards that have been developed and are being followed. We are pleased to do that.

The apparel industry is one that Jim is aware of from our mutual time in Commerce with the Inflammable Materials Act. The apparel industry has not only gone way beyond the Federal efforts -- we have mandatory regulations on children's sleepwear -- they have extended voluntarily the fire retardant regulation to other apparel.

In my personal opinion, there is no longer any need for any additional mandatory standards in this field. In three years I wouldn't have believed it possible. It is an example of what can be done.

In deregulation, I think last July Lou Engman was the first speaker and he suggested if there was a trap door under about 50 percent of the chairs and somebody pulled a lever -- and we have been working on efforts in a sense to fashion our own trap door. We have put together a plan, a six-year plan, and we have submitted it last September to OMB and the Congress and that plan predicts the ability to abolish this agency, an agency only three years old, in six more years. It would abolish it because we believe our task is a finite task and we believe rational people would come to the conclusion consumer products no longer present a grave risk.

It is a bit of a change and we haven't gotten acceptance of it, but I would suggest that every agency put forward such a plan because not only is it beneficial to keep from going into a counterproductive mode but it makes possible some meaningful oversight by the Congress. Right now I am of the feeling the oversight is not very meaningful.

On another line, I might mention we share in common with Bill Anders -- our agency does, FDA and OSHA, and some of the other agencies not here -- that is, nuclear safety, similar problems -- fluro-carbon ozone, Red Dye 2 and Red Dye 40 -- the whole matter of carcinogens associated with the environment.

I have been trying to create a mechanism called a science court as a regulatory forum to help agencies make better social decisions in these kinds of areas. The social decision is, how safe is safe enough and is the risk worth it. Implicit is economic risk, and risk to citizens.

But in these problems I have outlined, they are the kind of areas where the technology is very, very important and the technology is being debated in the public domain and we are getting trial by PR.

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Secretary Morton was briefed on this. I talked to Ed Schmults about it and Secretary Morton was briefed and I was hoping he would introduce it before he left. Your Advisory Committee headed by Dr. Raymond and Dr. Baker are aware of it. I would suggest if that court were in existence today, it might influence the nuclear initiative in California.

The Westchester County Board of Supervisors unanimously recommended such a science court be convened to investigate Plant 3. I have discussed this with people not only pro-nuclear or involved in it, but involved in the same group are the environmentalists, the anti-nuclear forces from academia, and they also support such a concept. I think it would improve the decision-making process by the agency and, if the citizen is to vote, make it an informed vote.

MR. SCHMULTS: I think that is a very interesting proposal and we are looking at that. It has been extremely helpful.

John, may we hear from you?

MR. ROBSON: Very quickly, Mr. President, in the area of procedural reform and education, we created last summer a procedural forum, an outside advisory group to which we gave a six-month deadline and they met it and gave us recommendations. The committee then went out of business.

We have their reforms under consideration and have implemented some of them; for example, imposing on ourselves a deadline of a number of days in which we have to act in rule making petitions filed before us.

Second, we have underway a system under which we will be able, through use of our computer, to log in and chart through the agency every single action that is filed with us and to set a deadline up the ladder so that, if it hasn't gone from point A to point B by the time it should have, we want to know why and move it out.

Third, in the area of burdensome reporting, we have had underway for several months a review of all our reporting requirements. I will mention a couple.

One, we have reduced for the air freight forwarders by 14 forms a year and by 75 percent the reporting requirement. Most are small businessmen. Second, we are working with the Federal Aviation Agency to have a single reporting to satisfy both agencies so they need file only one report to satisfy both of us.

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We are trying to reduce extensively the burden on people to get a charter program started. In the last several months we have made some great strides in the charter areas. We introduced two brand-new charter forms and proposed another; each significantly liberalizes the opportunities for cost of charter transportation for the American people.

We are pursuing an aggressive competitive route program as well as trying to push the forefront out in the area of removing restrictions on carriers that are obsolete and unnecessary.

We have allowed a great many discount fares to go into effect in the last several months and there is, indeed, such proliferation now that people are confused by them.

In the areas of consumers, the CAB has had a consumer office since 1970 and I think it does a pretty decent job. Our movements in that area have been on specific matters; for example, the excess baggage charges and free baggage allowance, increasing the free baggage allowance on international flights. We have now pending a rule making to require the carriers to disseminate some tariff information so the ordinary consumer has a better idea what the fares are and how he can better avail himself of the cheapest one. We are struggling with the knotty problem of bumping, which is small in number but great in voice.

Finally, in the area of economic analysis, we testified this morning on the regulatory reform proposals that are before Congress now. We have really been in the process of analyzing the future of the Board for several months and, let me just read the first sentence of our testimony.

It says, "Economic regulation should be redirected so domestic transport is governed by competitive market factors." We have offered a program to Congress. I will leave it there.

MR. SCHMULTS: Thank you very much, John.

THE PRESIDENT: Thank you very much, all of the chairmen and your associates from the various boards and commissions. Unfortunately, I have to proceed with a signing ceremony of legislation, so I won't be able to stay. I have asked Ed Schmuls to indicate to you what I would like in the months ahead.

Your testimony today has been very helpful. I think we have made significant progress. It is my feeling we have to keep pressure on in order to further, at this time, the progress.

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I appreciate your appearance. I am grateful for what has been done but we hope to see you in a few months and get additional reporting as to the success of your subsequent efforts.

I thank Ed and Paul for their leadership in this and, if you will excuse me, thank you very, very much.

MR. SCHMULTS: I would like to reiterate what the President said. I thank you all very much for all the work you have put into this meeting, each of you. We could have taken up an hour and a half with the problems and progress that each of you has made in your own agencies.

To keep the momentum going on this effort, the President asks if you would submit to him by September 15 another progress report on your efforts to achieve improvements in the four areas concerned that he has mentioned. Those were the subject of your reports.

He has three specific requests he hopes you will keep in mind as you prepare your next report; first, that special consideration be given as to how we can make your progress--and our progress in the Executive Branch--as well as our regulations more understandable.

For example, when you report on how you are eliminating or improving your regulatory functions, the President would like to see a specific statement on how the change will affect consumers, small businessmen and taxpayers.

Second, if you would, the report should list and discuss priorities for agency reforms. Along with the priorities should be recommendations on where regulatory objectives can be achieved in a less costly, less time-consuming and more efficient manner. If we are going to show results to the American people, we need to have a better idea of what our priorities are and how we are going to accomplish them. One of your first priorities should be where there is workable competition or where competition could be increased if outdated regulations were eliminated.

Third, the President asks all of you to concentrate along with the Executive Branch agencies on achieving a 10 percent reduction in the number of forms that Federal agencies require.

It has been said that our continued requests for information cost individuals and businesses billions of dollars in expenses every year. The cost of paperwork cannot any longer be considered an incidental cost. Many small businessmen have pointed out it isn't worth it for them to hire two people in their business whose efforts are directed toward filling out of forms instead of selling products and services.

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The Committee on Paperwork is looking on the long-term approach of reducing costs of paperwork. The President has directed the Executive agencies to achieve a 10 percent reduction in number of forms by July.

In your September 15 report on your administrative reforms, he hopes you can also report on your contribution to achieving a reduction in reporting requirements.

Let me say certainly on this side of the table we are all convinced that all of us here and all of you are working toward the goal of making the Federal Government as responsive and efficient as humanly possible.

Thank you. We appreciate it.

END (AT 3:40 P.M. EST)