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THE WHITE HOUSE
PRESS CONFERENCE
OF
PAUL W. MacAVOY
COUNCIL OF ECONOMIC ADVISERS
EDWARD C. SCHMULTS
DEPUTY COUNSEL TO THE PRESIDENT
AND
RICHARD E. WILEY
CHAIRMAN
FEDERAL COMMUNICATIONS COMMISSION

THE BRIEFING ROOM

3:55 P.M. EST

MR. NESSEN: As we promised, we are now going to have a briefing on the meeting with the President and the heads of the 10 regulatory commissions. This is the latest in the President's campaign to reform legislation and increase competition in the regulated industries.

Before I introduce the briefers, there was some interest this morning in a transcript of the meeting, and the fact is that a transcript was made and it will be made public. It is quite lengthy, and it is going to take time to type it and proofread it, and so forth, but it should be available tomorrow morning here in the Press Office.

The briefers are going to be Ed Schmults, Deputy Counsel to the President and co-chairman of the committee overseeing the regulatory reform; Paul MacAvoy, of the Council of Economic Advisers, who is the other co-chairman; and, representing the regulatory agencies, Chairman Wiley, of the Federal Communications Commission.

I think Ed wants to give you, first of all, a summary of the meeting, and then they can take your questions.

MR. SCHMULTS: I would like to report on the meeting held today with the chairman and one other commissioner from each of the 10 independent regulatory commissions. The meeting was held in the Cabinet Room and lasted for an hour and a half. During the meeting, the President emphasized that reform of the Government regulatory system was a responsibility shared by the Executive Branch, the independent agencies and the Congress.

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The meeting was called to discuss the progress that the agencies have made toward administrative reform of their policies and procedures. The President was encouraged by the steps that the agencies have taken, but he pointed out that many vital reforms were still needed.

During the meeting the President asked each of the chairmen to review the most significant reform evident underway in his agency and the most persistent reform problem faced by his agency.

After the discussion the chairmen were asked for a second progress report on their efforts by September 15. In these reports, the President has asked that each of the agencies take a hard look at how regulations are affecting the American public. Specifically, he wants the agencies to make their progress as well as their regulations more understandable. The President has asked each agency to include a statement on how the changes underway will affect the consumer, small businessmen and the taxpayers.

The President has asked each agency to include in the next report a priority list of concrete agency reforms. As one of those priorities, the President is seeking agency consideration of an increase in the reliance on competition rather than regulation.

In addition, the President has asked the independent commissions to join the Executive Branch agencies in achieving a reduction in the number of Federal forms. The paperwork burden must be reduced by all agencies.

We will take questions now.

Q Can you give us an idea of some of the types of progress that were mentioned by the chairmen of the commissions?

MR. SCHMULTS: I will be glad to, and they all cited progress. For example, the Federal Power Commission -- Chairman Dunham -- mentioned that they had reduced the number of forms that were required to be filed by that commission from 50 to 15.

The SEC -- Chairman Hills -- indicated that they have reduced the delays which are a part of their opinion writing process from over a year, I believe the figure was, to close to 30 days now. His target, or the SEC's target, is 30 days and Chairman Hills reported they were 80 percent of the way there. That is a significant reform in a very important area.

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The Federal Communications Commission -- we have Chairman Wiley here -- an important effort they have underway is reducing the renewal form. It is really just a front and back form, as I understand it now, Dick -- I am sorry, the radio renewal form, radio license form.

In some of my speeches on regulatory reform, I have cited the small radio station in New Hampshire that had to spend \$27 to send a renewal application to the FCC in Washington.

Q What do you mean? Reducing the size of it?

MR. SCHMULTS: Reducing the size of the form to just a front and back form, so essentially it is a single piece of paper to renew a radio station license. Now, that is a very significant reduction in the paperwork.

Q Has it been accomplished or is that a goal?

MR. WILEY: It has been accomplished.

Q How big was the form previously?

MR. WILEY: It is considerably larger in the number of pages, but the questions were reduced from 61 to 24 and the number of pages, I think, was 8 or 9, something like that.

Q What was the most significant reform that the FTC reported and what is its most persistent problem?

MR. SCHMULTS: Do you recall that, Paul?

MR. MacAVOY: Commissioner Collier's remarks were centered on important procedural changes that have begun with the staff being reorganized to center attention and work on the use of benefit cost analysis in deciding which cases to emphasize, what the case load should be like, what are major versus minor activities. Rather than taking things sequentially, trying to organize their resources around the big cases. This was a task that is in the first stages.

As you know, the chairman is new and this is just beginning. But it will be a very substantial change in that agency when it is done.

Q What is its most persistent problem?

MR. MacAVOY: We didn't specifically discuss its most persistent problem in that case. We had prolonged discussion of these problems as they arose from agency to agency and those at the beginning of the hour and a half did a much better job of explaining their problems.

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Q So the FTC was last?

MR. MacAVOY: Chairman Collier was the next to last, and he had a full minute. The President went out in the Garden with you and we lost him.

Q Did Chairman Wiley have any luck in answering that question?

MR. MacAVOY: He did very well. He was first.

Q Were any steps announced in the area of increasing competition in any agencies?

MR. SCHMULTS: Of course, the SEC reported on the steps they have taken to increase competition in the area of competitive rates in the securities industry and other agencies said that they were addressing those problems. I think you mentioned that, Dick, in FCC.

MR. WILEY: In the common carrier area, we have introduced competition into a number of areas previously marked by regulatory monopolies.

MR. MacAVOY: I think we should stop on that a minute, Rich, because Roderick Hills took us through the steps that preceded minimum commission rates and their investigations as to the results of making that change, a change that took from under controls the setting of that price, that set of commission charges for the first time in 185 years.

Before that occurred, it was widely predicted by experts that chaos would break loose and that the service for smaller consumers, individuals, households in buying stock would be eliminated and there would be severe disruption of the credit markets, capital markets. There would be no way of bringing forth new investment funds. That has not occurred. There has not been a reduction in service.

He described in detail the changes in service operation that followed from the companies realizing for the first time outside of regulation that a number of groups of consumers didn't want the package services they were getting as part of the normal course under the fixed rates. The service changes have not resulted in significant complaints to the commission of a reduction in essential services.

He stated flatly this has not occurred. As a matter of fact, there is some indication that retail services are picking up in the last few months rather than disappearing. So here is a case, like in a number of these instances, like in the airline regulation, that is now being discussed on the Hill where predictions of dire disaster were made before the regulatory change went into effect. Everything went very smoothly and we came out the other side without those catastrophic consequences predicted by the industry.

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MR. SCHMULTS: George Stafford of the FCC stated there areas under the new Rail Act where the ICC would be exploring letting competition supplant ICC regulations.

Q Is it fair to say in this area of competition, particularly the SEC, if you apply it generally that those steps have to be legislatively mandated? Can any of these steps be taken by the agency without any laws?

MR. MacAVOY: It is much more difficult, other than the SEC, to make changes in the market structure within the commission. I think you are stating that correctly. The Administration's proposal for changing regulation in the case of the airline and the truck industries are designed to do that through the legislative process where the commissions themselves do not have quite those prerogatives.

In the case of the CAB, Commissioner Robson called Minetti for a legislative mandate for more emphasis on competition in the airline services. This was his bottom line. He had half a minute and used half of his half minute to make that statement, that he is looking for a legislative mandate to install more competition in airline services because the legislation, as it stands, does not give him that mandate.

Q Since Chairman Wiley is here, can he tell us what he told the President about deregulation at the FCC and what the President's reaction was?

MR. WILEY: I can speak to what I told the President. I discussed our entire program, which has been going on for several years and has been intensified in the last year, to basically eliminate regulations which are unnecessary, which are technically outmoded and overly burdensome.

We pointed out that in the broadcast service we have eliminated or modified over 400 rules and we have made 25 major changes in our FCC cable policy, which was adopted in 1972. We then discussed our procedural reform.

As you know, within the last month we adopted a major overhaul and streamlining of our cumbersome and time-consuming hearing procedures. Those have been markedly changed, and I think they will bring about faster and more responsive hearings.

Finally, we talked about our consumer involvement with the formation of our new Consumer Assistance Office to help the average citizen find his way through the bureaucratic maze and we talked about our new weekly publication which summarizes all of the FCC activities and writes consumer and public interest comment on our rule-making.

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We talked about our regional meeting program in which the FCC chairman and various commissioners and key staff members have met with the public in face-to-face meetings in major urban areas throughout the country, a program which will continue.

Finally, we discussed the fourth point the President asked us to comment on, which was the introduction of economic analysis into our procedures, and we are undertaking a new program review analysis of the FCC which will measure the resource impact of all of our regulations and all of our actions.

Q Mr. Chairman, I was wondering, has there been any reform of the procedure whereby, as I understand it, your ordered I think it was 12 stations in places like Watertown, New York, and Owosso, Michigan, 12 papers to divest themselves of their radio or television, but you have never done that with the Washington Post communications empire or the Star, except for the fact that he has to divest.

I was wondering, has there been any reform in that because I was wondering why these small papers were ordered to divest themselves of radio and television but not the Post?

MR. WILEY: That was a major rule-making that the commission concluded about a year and a half ago in Docket 18110, basically, to determine what should be our policies and rules concerning the cross ownership of co-located broadcast and newspaper property. Basically, we said there would be no future holding, co-located holdings permitted, that we are going to strike for diversification of the mass media.

We did, however, feel in the public interest it would not be appropriate to break up existing holdings except where there is an egregious concentration, basically a monopoly situation where the only newspaper and the only television station in a single town or the only radio station are co-owned. That may involve small cities, but that is not the basic concept.

The concept is a total monopoly of the news situation in that particular locale. That is a decision reached by the FCC some time ago. It is currently under judicial scrutiny and was not raised in this meeting.

Q Do you have any specific examples of how the consumer and/or the taxpayer has benefitted by reforms or changes so far?

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MR. SCHMULTS: I think there are many examples of that. I think when you look back at what the President has done over the past year, for example, in creating the Council on Wage and Price Stability, which will enter into agency proceedings and challenge some of the economic analyses done by some of the independent agencies, that this sort of effort has to translate itself into more efficient rules and regulations which benefit the consumer.

I think if you take the Rail Revitalization and Regulatory Reform Act, which has been signed, that that will benefit the consumer and we will have a more efficient rail transportation system. I stress in connection with that act, if it is in our view appropriately implemented by the Interstate Commerce Commission. I think you will recall the President signed the repeal of the fair trade laws, and I think there is a specific example of an extremely important reform that we calculate will save upward of \$2 billion a year to consumers by virtue of lower prices and this encourages competition for brand name merchandise.

So, I think there are many examples we can cite, and I think there is a remarkable consensus developing, and we see movement all across the front and we applaud the cooperation of independent agencies which, as you know, are not accountable to the President, but they are joining with him in the very significant effort he has underway.

MR. WILEY: Maybe I can underscore that with this comment. I think there is general recognition by many people from many different backgrounds today that there is a cost of regulation which has to be taken into consideration. There is going to continue to be regulation to protect public interest values. I think that is entirely appropriate.

I think we always have to look to see to whether or not, in a system based on free economic forces, whether or not regulation could be replaced by competition, whether or not regulation could be made simpler, whether it could be made more modern.

Certainly we found in the FCC many regulations which are technically outmoded and those have been changed. I think it was very helpful from my standpoint to hear what the other agencies are doing to exchange ideas on concepts, procedures and methodology in this important program.

Q Was cable television legislation discussed at the meeting and, if so, what was said?

MR. SCHMULTS: It was not discussed at the meeting.

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Q Mr. MacAvoy, can you tell us about that -- what your plans are for cable television regulation?

MR. MacAVOY: The description of the process the Domestic Council group is going through, that was provided by David Burnham in the lower right-hand corner this morning, is very good. I would propose that you read Burnham from back to front because the farther back you go the more accurate the description.

Whoever writes the headlines in the New York Times has never met David Burnham and I don't think he read the article, because what David says is that this group that brings forth proposals to the Economic Policy Board, the Domestic Council, the White House staff and, finally, to the President, goes through a very arduous and detailed process of analysis to try to determine the effect that any regulatory change would have. We have done that in proposing railroad reform and airline reform and truck reform in the last few months.

When we came to the present time with respect to cable reform, I found, along with other economists that are working on this, that the material that is now available to make the case for us--knowing what is going to happen as a result of changing rules with respect to cable and broadcasting--is not sufficient to do as well as we have done in the previous cases.

For example, in the case of our proposals on airline regulatory reform, we had a pretty good idea of what would happen to service in almost every city pair in the country as a result of the change of regulation.

I have no idea as to what would happen to service in any particular city as a result of cable deregulation. That is because the work that has been done in the universities, in the Rand Corporation, in the Brookings Institution, in the Federal Government are not yet detailed enough and significant enough to allow us to really know what is likely to happen.

That is not true in the case, as I said, of the airlines and the railroads where the university research was a lot better.

So what do we do? Well, we work harder. Along with the other 800 things that go on in the Council of Economic Advisers from food stamps to taxes, to imports of asparagus, we will continue our work.

If I divide my day 800 different ways, that means I will be done before the second coming, but just barely.

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Q When is that? (Laughter)

MR. MacAVOY: I bow to you, sir.

MR. SCHMULTS: That wasn't discussed at the meeting, either.

MR. MacAVOY: We have gotten as far with this as a first round review within the Domestic Council reform group as to where we are. I wrote a 28-page memorandum which described at least 30 different items that have to be researched -- policies, proposals -- before it really meets my standards for the quality of work that would make it in terms of being able to make a good argument. That is going to take a long time. I never put a date on any of this because it is going to require a great deal of university cooperation, cooperation within the OTP and other agencies to get the work done. That is as far as this has gone.

We have never discussed it with the President. We have discussed it informally with senior White House staff members. They said what I said, that we don't have a good job completed at this time.

It had nothing to do with the meeting today because that, ultimately, would be a legislative proposal and it is a considerable period from being finished. So that is really where we are.

Q Given the number of agencies in the Government that have expertise on cable regulation, including FCC, OTP, Justice Department and other offices in the White House, why isn't there enough known? Why isn't there the expertise?

MR. MacAVOY: Because no one has really gone out and done the field research we have available in transportation. Field research means that you know pretty well from detailed history of particular sets of services what has happened over time.

I have a good idea, for example, of changes of services on 100 city pairs -- Boston-Buffalo, whatever it may be -- in the kinds of airline service that have been made available, because there are studies within DOT and the universities of these city pairs, and I don't have that detailed analysis of Albuquerque insofar as cable and over-the-air broadcasting is concerned.

The universities have done aggregative research. They have taken the statistics for the country at large and fitted resquares, regression this way, which indicates a little more and a little less there.

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But this work is very rigid and very inaccurate. Good Lord, I have written enough of those articles myself to know the quality of that material, and it is not good enough. So somebody has to do it.

Q The commission has been working on this for 10 years or more. Don't you think they have any resource that would be helpful in this regard?

MR. MacAVOY: Commissions generate enormous amounts of information with respect to individual case decisions. As Chairman Wiley said, the pace with respect to cable has grown since 1972. Cable is a relatively new industry. There are immense amounts of detail with respect to a particular issue, let's say distant signal importation, in some parts of the country. Organizing, aggregating, analyzing and processing -- that is a part of the work that has to be done.

MR. WILEY: May I say something on this? As I said to the National Cable Television Association this week in their convention in Dallas, I think with the changes we have made, and they have been substantial in a deregulatory vein over the last year and a half, the Federal lid is essentially off this industry. There can be additional changes that can be made. But I think the industry is going to have to prove its ability to sell its services to the American people -- they are selling something the American people want and are willing to pay for in the marketplace. Whether or not legislation is enacted by the Congress, I think that we are going to be able to make a determination as to whether cable television will be a force in the communications industry.

Q Could you give us a rundown on the Federal Power Commission, what their problems are?

MR. SCHMULTS: The Federal Power Commission, the principal thing, as I indicated, that sticks in my mind about the Federal Power Commission, is that some emphasis in this meeting was being given to reducing the paperwork burden on American business.

One of the things I think I mentioned earlier that Dick Dunham did mention is that they did reduce their form filing requirements from 50 in number to 15. He also mentioned, I think, another very significant area of reform or at least progress. They were consolidating their data base with that of the State regulatory agencies.

There are frequently disputes, I gather, between the Federal Power Commission and the State agencies. It is Chairman Dunham's hope that by consolidating the data base they at least won't be arguing about the underlying facts.

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MR. MacAVOY: The only other thing I remember, Ed, is that the commission is going to embark now on a major study of the structure of the agency. They haven't really looked at the way the agency functions since 1950. There are four new commissioners. The problems are entirely different from those in 1950 and Dick Dunham and the others are beginning on that.

Q On another area, given a lack of progress on the nominations for a new chairman at the ICC and the Consumer Product Safety Commission, has the President given any consideration to withdrawing those nominations or meeting with Senate Commerce Committee Members to see what is happening?

MR. SCHMULTS: Not that I know of. We hope those nominees will be confirmed.

Q Does he still stand 100 percent behind Mr. Budman and Mr. Byington?

MR. SCHMULTS: Yes.

Q What did the Consumer Product Safety Commission have to say for itself?

MR. SCHMULTS: The Consumer Product Safety Commission had a number of things to say for itself. One idea that I think they find intriguing in that agency is I think they are planning for their own self-destruction, I believe is the way Chairman Simpson put it. Over six more years they are planning to go out of business and the safety standards will have been, by that time, accepted by the business community and be in place and a regulatory commission of that form will no longer be needed.

He also mentioned progress particularly in the clothing industry where the fire-resistant standards are being adopted voluntarily by those manufacturing other than children's sleepwear.

THE PRESS: Thank you.

END (AT 4:23 P.M. EST)