C

THE WHITE HOUSE
THE EAST ROOM

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PRESIDENT GERALD R. FORD,

VICE PRESIDENT NELSON A. ROCKEFELLER,

WITH

MEMBERS OF THE CABINET

AND

COMMISSIONERS OF THE TEN INDEPENDENT REGULATORY AGENCIES

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(11:05 A.M. EDT)

THE PRESIDENT: Won't you all sit down, please.

Good morning. It is a pleasure and a privilege to have you here, Mr. Vice President, Members of the Cabinet and members of the various regulatory agencies.

I will make an initial relatively short statement, to be followed by Rod Hills, being the moderator, for the introduction of the four topics which are on the agenda, and Paul MacAvoy will give an introductory remark or two concerning each subject, and, then, as I think all of you have been told, there will be one and perhaps several from each of the -- well, from some of the regulatory agencies, make an introductory observation and comment and then a period will be given in each case for members of the various regulatory agencies to make observations and comments.

I think it is quite obvious that I feel very deeply that we must seriously consider the costs to the American consumers of all government activities, and this, of course, includes regulatory agencies. Regulatory reform is a theme that arose repeatedly in the course of last fall's Economic Summit Meeting. It is a theme that is finding, as I travel around the country, growing public attention and support, both in popular and economic literature, in the Executive Branch, in the Congress, and, I am pleased to note among the government regulators themselves.

A short time ago, I met with twenty-four Members of Congress on this particular matter. There was unanimity on this bipartisan group that we must examine our regulatory practices to make sure they are meeting our present needs. There was agreement that competition should be relied on whenever possible and that where regulation is unnecessary it should be avoided.

Also there was a persistent concern expressed by this group that some government regulation costs the country more than it returns in benefits, and that the regulatory process often benefits special interests at the expense of the general public.

Finally, there was consensus that the important public service role of the commissions must be reflected in the attitude of the regulators, and the welfare of the consumer must always be the first concern on their minds.

I have a strong belief that the costs which regulation imposes on private citizens should be faced very squarely. Every citizen should be aware that in some cases the costs in some cases mean higher prices, reduced efficiency, less consumer choice and fewer imaginative ideas.

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In calling today's meeting, I do not suggest that the problems reside exclusively in your agencies or commissions. Regulations that impose costs on consumers can also be found in Cabinet departments and in the intricate, sometimes invisible web of laws and regulations at State and local levels.

My Administration is focusing public attention on the need to eliminate or to minimize unnecessary controls. We should recognize that occasionally government policies which appear to be in the short-term public interest are in fact detrimental to long-term consumer interests.

I am asking for your continued and intensified help in identifying ways the commission can assist in our collective efforts to restore inventiveness and growth in the American economy. As we look for short-term solutions, we must also chart a course that permanently relieves the economy of unnecessary long-term impediments.

In some instances, the circumstances which caused government to institute regulatory schemes have changed. You should be the leaders in identifying areas where regulation should be eliminated or substantially revised. You have been given, by law, extraordinary authority to regulate the economy for the public good. With these unusual powers and responsibilities, you must function as models of effective and open government.

There are four major areas that deserve very careful attention:

First, there must be a constant effort to improve each commission's ability to identify the costs and the benefits of current and proposed regulations. You should make sure that the quality of your economic analysis matches your high standards of legal professionalism.

In particular, the costs as well as the benefits of restricting competition must be considered. Also, the benefits of worthwhile social goals must be weighed against their economic costs to the Nation as a whole.

As you know, I have ordered all departments and agencies to prepare an inflation impact statement on each of their major proposals. I am pleased that the House of Representatives has changed its rules to require similar analysis -- and I note that the Senate, in several similar measures, is doing the same thing. I ask each of you to give this matter the highest priority.

Second, we must make every possible step to make sure that the backlog and the delays in regulatory proceedings do not weaken the public belief in an equitable and efficient regulatory system. If legislation is needed, you may be certain that the Congress and the Administration will provide such laws.

Third, the public can rightfully expect that you will be the leaders in suggesting appropriate legislative changes in your authorizing statutes.

Fourth, I have asked all departments and all agencies to reexamine their present procedures for assuring that the consumers' interests prevail. I believe that competition in product quality and price is the best consumer

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protection. By freeing entry, adding to rate flexibility and promoting service competition, the consumer can be given the choices that only the marketplace can provide.

I also urge you to insure clear communications with consumers so they will better understand your actions. Our joint efforts in these areas will move us a long ways towards the efficient and useful regulatory system that we all seek.

In addition to achieving these administrative reforms, my Administration specifically will be seeking further legislation that would also intend to reform our system of regulation. It is my strong conviction that the consumer is best able to signal his wants and needs through the marketplace. The government should not dictate what his economic needs should be.

Therefore, I have proposed and will continue to support legislation to relax or eliminate the Federal controls over areas where I believe the marketplace can do a better job. I believe the government should intrude in the free market only when well-defined social objectives can be obtained by such intervention or when inherent monopoly structures prevent a free, competitive market system from operating. Government should foster rather than frustrate competition. It should seek to insure maximum freedom for private enterprise.

Agencies engaged in regulatory activities can expect that the Antitrust Division of the Department of Justice will continue to argue for competition and lower consumer prices as a participant in your agency's proceedings. Furthermore, the Attorney General will continue to insure vigorous antitrust prosecution to remove private sector barriers to competition.

We have, or will propose, regulatory reform legislation in such areas as energy, transportation, financial institutions, and communications. I have asked Congress for its cooperation in giving these bills early consideration, and I ask for your personal and organizational support in achieving needed reform.

The legislation I am proposing would reduce the government's role in the setting of prices. Also, it would enhance innovation by making it easier for new businesses to compete with existing firms. It would remove barriers from existing firms to allow them to develop new services and lower prices, as well as abandon unprofitable or unnecessary services.

This meeting and my earlier meeting with the congressional representatives are only the beginning -- and I emphasize that. Today we will continue the dialogue begun at the congressional meeting. Rod Hills and Paul MacAvoy, as I indicated, will briefly describe our agenda for the meeting this morning.

I will be interested in hearing more about the steps you are taking to improve our system of regulation as well as the problems you face in this effort. I am particularly hopeful that we will be able to identify those practices which are more deserving of attention and reform.

If this meeting does foster a program of action -- and I think it can -- and a new spirit of cooperation between all of our commissions, the Congress and the White House, then, in my judgment, we will be responsive to the public interest.

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I thank you for being here, and at this point I will call on Rod Hills to get the meeting started, as the moderator.

MR. HILLS: Our purpose this morning is to foster as wide an exchange of views as possible on the area of government regulation. To facilitate and focus that discussion, we have divided the session into four broad areas, the four broad areas that the President has mentioned -- the improvement of economic analysis, the improvement of the regulatory procedures, the efforts to foster more competition in regulated industries, and the effort to foster a reexamination of the objectives of commissions to determine whether some form of deregulation can be profitable and necessary.

Dr. Paul MacAvoy, of the Council of Economic Advisers, will briefly introduce each section of our session today, and we will call upon chairpersons present this morning to keynote for a few moments each of the sections.

Our objective is to have as many of you as possible express yourself, and that means, of course, that it may not be possible to have extended discussion on some topic that comes up. If that occurs, as it undoubtedly will, we will ask you to defer that conversation to an early meeting here at the White House where we will get you together with appropriate officials to continue the discussion.

We welcome you here. We all expect this to be a mutually beneficial session.

Paul?

MR. MacAVOY: Perhaps I might begin with a few questions in each case. I will try to keep the questions short, and I hope they are helpful.

In the last ten years, the caseload in the area of price or rate setting has increased in most commissions two - to five-fold. In this period, the complexity of the cases has apparently increased a multiple as well. This is partly because of changing demands, changing technological conditions, partly also because in almost each industry with which you are concerned, there seems to be a growing unregulated sector also producing to meet these demands.

With a complex and larger caseload, the economic question arises as to what the results from the more complicated cases have been. Are the cases moving in the direction of adding to gains or benefits to consumers from bringing rates more currently in line with operating and capital costs? Or are these activities in the caseload area moving in the opposite direction?

The fundamental argument for regulation was that it would do better than partially competitive or uncompetitive markets in providing consumers with goods at prices in line with current costs. The question that has to be asked in the economics at this point then is, if we look at the results from the cases, do we show economic effects of bringing prices in line with current costs?

In some instances, it appears as if prices may be set far above the current costs of operation; in other instances, perhaps they are too low. There are cases now in the energy and transportation sector where it is quite apparent that costs are higher for additional service or quality than the going rate. The question then is can be begin to carry

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out benefit-cost studies of caseloads in large areas of your activities which will show that you are doing better than the market would do in bringing prices in line with current costs?

These same questions arise in somewhat different form, but a benefit-cost analysis form, in the health and safety regulation area. Many of the Commissions in this area are relying more and more on detailed specification of production conditions or of physical quality of the product. These specifications have a tendency to increase the costs of operation for corporations which get passed on as increased prices for consumers. These costs also have to be added to the cost of litigation, to delay in the regulatory process; delays seem to be growing as the complex caseload grows. Against these costs, we have to put the benefits to the consumer of a higher quality product.

Can we begin to do benefit-cost analyses of these health and safety regulatory activities, which clearly show that the benefits to the consumer in increased demands and in greater reliance on the quality of the product received in the market, are worth the additional costs of higher prices and delays in the institution of new technology?

Added to these questions, of course, we have to ask whether there is available in the current techniques of economic analysis the equipment to help you do this. These three questions are interrelated. I hope we can spend some time this morning on working on the answers.

THE PRESIDENT: The initial topic, "Improving Economic Analysis in the Various Regulatory Agencies," to begin the discussion from the point of view of the commissions or agencies themselves, I will call on Lew Engman, the Chairman of the Federal Trade Commission. Lew?

MR. ENGMAN: Thank you, Mr. President. I would like to say, first of all, that we very much appreciate your efforts to focus public attention and to take action on these issues of regulatory reform. I, for one, agree completely with the objectives which you have stated this morning, and I must say that I have some feeling that we could make a start on the problem if you could install a trapdoor in the East Room and somehow make half of this table disappear, and I won't say which half.

[Laughter]

At the FTC, we have been concerned, just as you have, that many governmental policies, whatever and however well intentioned they may have been in the first instance, have outlived any economic or social justification and have in fact become a costly burden on every American.

I have frankly regarded it, as part of my job as Chairman of the Commission, to be outspoken on this subject, because while the other agencies around this table divide markets, prescribe rates or determine whether or not new competitors can be permitted to enter a certain market or set environmental or safety standards, our basic responsibility, as we see it, is a much more general one, and that is to assure that our free market economy can operate just as freely and as openly as possible.

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Because, as you indicated in your opening remarks, just as the public can pay more for goods and services as a result of private collusion, which is what the antitrust laws are all about, by the same token, so do we pay more for goods and services because of governmental intervention in the marketplace.

Now, in looking at this role of economic analysis, I think the question really is, how can we measure the economic costs of this kind of regulation, and how can we measure the benefits so that we can assure ourselves that we are not paying today's prices for solutions to yesterday's problems.

Now, at the FTC we have undertaken a self-examination which is very much like that which the Office of Management and Budget is now requiring in the form of inflation impact statements from the Executive departments. We are trying to analyze every single law enforcement program which we are responsible for carrying out, analyze the costs of those programs, and to compare those costs with the potential benefits flowing to the public. And as a result of the cost-benefit analysis which we have already begun to undertake, we have in fact made decisions with respect to our programs which have reduced our activities in certain enforcement areas and increased them in others.

Now, I have to be candid, however, and admit that this is not a very easy thing to do. It is a case of weighing costs, on the one hand, against benefits which are only potential, and it is an inexact science at the present time. I think that you know fully well, Mr. President, how hard it is to get economists to agree with one another, and when you add onto that the problems of data and the fact that in many instances the data which we have available is not very good, it becomes even more difficult.

How, for example, just to raise one kind of question, do you quantify the benefit of the deterrent effect of a law enforcement action -- the deterrent effect of having a cop standing on that street corner? And to do the job right, you also have to calculate on the benefit side of the equation, make some assessment of where you would be without the particular regulation or action. And beyond that, and perhaps even more important, I think you have to try to make an assessment from an economic cost point of view -- are there less costly ways that you can achieve a similar benefit, assuming that there is some social good to it?

But even with these kinds of problems, I think the fact is that government regulation should be subjected to this kind of cost-benefit analysis. If we really believe, if we truly believe that a free market economy is the means to the greatest prosperity to the greatest number of people, then I think that we have to put the burden of proof on those who would make that economy less free. And we found out at the Trade Commission, with our experience with respect to cost-benefit analysis, that although the approach is not simple -- it is difficult -- by the same token, it was darn helpful in helping us to address what our priorities ought to be.

And I guess I would suggest that possibly one way to get a grip on this problem is for each agency to consider or to start to do cost-benefit analysis itself in the light of its own particular mission, which may differ from case to case, and I quite frankly would be interested in the reactions of my fellow chairmen to that point, but I think that the need for this kind of analysis is critically important. It is long past time that an effort was made to tell the American people what they are getting for what they are giving up.

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Thank you.

THE PRESIDENT: Thank you very much, Lew.

I guess Dick Wiley, Chairman of the Federal Communications Commission, has some observations on the situation in the communications industry.

MR. WILEY: Thank you, Mr. President. I happen to agree with Chairman Engman largely in his comments.

It seems to me that the decision-making process of the independent regulatory agencies has been in the past dominated by consideration of legal, technical and sociological aspects. Increasingly, our agency has come to recognize the importance of undertaking more comprehensive inquiry into the economic ramifications of our decisions with regards to the costs and the benefits of those decisions to the industries we regulate and indeed to the public.

Now, these efforts have extended to all areas of our jurisdiction, but I might cite the example of the common carrier industry. There, in addition to traditional rate-making concepts, we are now conducting a broad-ranging economic inquiry to analyze the costs and benefits of increased competition in the realm of common carrier communications. Our work has included a review of such concepts as use of sensitive pricing, cross-subsidization, the whole question of competition vis-a-vis monopoly. And we found that in redefining natural monopoly, we found in many areas we have been able to dispense with that whole idea and find areas in which competition can work in the areas which have been traditionally considered monopolistic. And I think in that effort we found ways in which the public will be ultimately saved.

MR. HILLS: Ladies and gentlemen, the discussion is open for those of you who would like to comment. The distances and the lights are great, so if you would not mind identifying yourself, it would be helpful to all of us.

MS. FRANKLIN: Mr. President, I have a comment and a suggestion on this whole area. First, I am Barbara Franklin, from the Consumer Products Safety Commission. My comment is this -- and we are, of course, in the field of safety:

I think it is -- I am in full agreement that we need to emphasize more than we ever have before cost-benefit analysis in our regulatory decision-making. Given the changes we have going on in the economy, shortages of resources that are beginning to show up -- shortages of capital, and the kinds of things that are difficult to deal with -- I think it makes it much more incumbent upon us, as regulators, to think ahead to what the real impacts, not only now but down the road, of what our decisions are going to be.

We are in an area where there are some very difficult questions in terms of the costs: What does it cost to redesign, retool? What impact are we having on technology? On the other side, how do you value human life? How do you value fewer injuries? They are really very tough questions.

The point is, we have really got to get a handle on this. The law we administer requires it, but beyond that, I think there is much more urgency than there ever was before for us to do it. And if I may make a suggestion, I think around the table we have got some expertise in our respective

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agencies about this. I presume others are trying to get a handle on this, as we are. I wish there was some mechanism -- and maybe it could come out of this meeting, which I very much appreciate -- I have never been in the same room with my colleagues before, and I would hope it would happen again -- I wish there were some mechanism, though, whereby we could pool our technology or our methodology, whatever we know about cost-benefit analysis, so each of us doesn't have to invent the wheel, and we can move all of us further along in the process.

MR. HILLS: The discussion is not confined to the table. We have microphones from which anyone from the commissions can have a commanding position, if you would like to talk.

MR. NASSIKAS: Mr. President, John Nassikas, Chairman of the Federal Power Commission. The Circuit Court of Appeals for the District of Columbia said in a case a few years ago, "Despite a continuing debate, it appears that the basic goal of direct governmental regulation through administrative bodies and the goal of indirect governmental regulation in the form of antitrust law is the same, and that is to achieve the most efficient allocation of resources possible. For instance, whether a regulatory body is dictating the selling price or that price is determined by a market free from unreasonable restraints of trade, the desired result is to establish a selling price which covers costs, plus a reasonable rate of return on capital, thereby avoiding monopoly profits. One more example of common purpose in both types of regulation is that they seek to establish an atmosphere which will stimulate innovations for better service at a lower cost. This analysis suggests that the two forms of economic regulation complement each other."

I believe that the free market can undoubtedly do a far superior job of allocating resources produced by natural gas producers, for instance, which I can go into detail on later on. I also believe that the antitrust laws should be more effectively enforced.

One final word: At the Federal Power Commission, any decision that we issue has to examine productivity and inflationary impact. Is this the best possible price for the consumer under the restrictive statute under which we have to operate?

MR. HILLS: Yes, sir?

MR. SIMPSON: Thank you. Dick Simpson, Chairman of the Consumer Product Safety Commission. Our agency is one of the new agencies, regulatory agencies, in town and the Congress in establishing the agency, required us, as a matter of law, to do economic impact analysis on all of our regulations. There is a series of findings that we must make which has to deal with the need for the product, the degree and nature of the risk of injury that we are trying to address, the effect on competition, and any other method that we could have used to achieve the same result other than the rule that we are promulgating.

Also it goes a little further. We not only have to make the findings but the standard itself can be overruled if any of these economic findings are inadequate.

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And I suggest that when we get to item four on the agenda, legislative changes, one may look to the Consumer Product Safety Act, section 9, as perhaps a model of laying on the requirement of the economic analysis that we are discussing here.

MR. HILLS: Very good. Are there any comments from the back? Yes, sir?

MR. ROBINSON: Glen Robinson, from the FCC. Nobody has commented yet on the resources and the wherewithal to do this economic analysis. I am particularly mindful of this in terms of probably one of the few Commissioners that has an economist, a professional economist on my staff. But it is inordinately difficult to get the kind of economic skills and talent and put them, direct them to the task, and we have been particularly hard-pressed at the FCC. We have a mammoth undertaking, that Chairman Wiley spoke of a moment ago, to conduct an economic analysis of the telecommunications industry, if nothing less than that, particularly the role of competition being a traditionally natural monopoly field.

But I fear that unless we get access to more and better economic skills than we have had in the past, the project may fail simply because we are in a class which is a very high-stepping class. We are up against some of the largest corporations in the world, who have their own economic analysts who are very competent and some of the best in the world, as I am sure Paul MacAvoy knows. The Bell System commands resources so far in excess of ours, there is no way, of course, that we can match them man for man. I wouldn't want to, if we could. And that would imply an unwieldy governmental structure that would be counterproductive.

But we do have to focus on the talent part of this. It is no good to just conduct economic analysis, have a bunch of laws talk about cost-benefit analysis, if they are not really capable of applying refined skills to the task at hand; and it can get very complicated, as I found out sometimes, to my discomforture, in talking to my economists.

I think we at the FCC are particularly in need of this. I would like to see some more attention given to the talent phase of this.

MR. HILLS: Paul, do we really need some more economists?

MR. MacAVOY: I appreciate the demand for economists going up as rapidly as it has in the last ten minutes.

[Laughter]

I would respond, however, to try in a way that attempts to reduce the demand somewhat. Some years ago, the Federal Power Commission, as a page in its annual report, tried to lay out a benefit-cost analysis at the beginning level. What that involved was comparing the dollars of rate reductions that had occurred in electric power and natural gas pipeline price controls against the cost of litigation and other measurable costs, both of the companies and the Commission. That had a tendency to indicate that most of the important work of the Commission was being done in the control of natural gas pipeline rates. That fell out of the reports in the middle 1960's. I considered it an admirable first cut at trying to do this kind of work.

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You don't always measure benefits in rate reductions. Certainly at the State level in electric power regulation now, we measure benefits in rate increases because there are going to be shortages of capacity from State price freezes that will make us worse off in five years. But the idea that you have gone through this to the point of being able to write down a page does have some benefit to those surveying the activities of the Commission, those who read your annual reports, because it will clearly show that more resources put in one area might pay off in terms of increased benefits to consumers and less in others. This might require some kind of an economist, but certainly would not raise honorariums or per diems of professors appreciably.

[Laughter]

MR. HILLS: Chairman Wiley.

MR. WILEY: Yes, if I could just comment on that. I think one thing that government needs to do is to try to find areas in which it doesn't need to regulate and redistribute some of those resources into areas in which we perhaps in the short run will need more manpower in order to provide a competitive mode. I think we are finding that in many areas we need economic strength, as Commissioner Robinson mentioned, and perhaps less lawyers regulating less aspects of the business world.

MR. HILLS: Mr. Vice President.

THE VICE PRESIDENT: As Chairman for a couple of years of the Commission on Water Quality, analyzing the legislation of '72, we have been up against the same problem that you are talking about and we have employed outside engineering groups to make these cost analyses of the impact of the law. And I give as an illustration: we just got a report on the tin plate industry, the EPA's regulations for the '73 and the '83 standards as established by the law, the impact on that industry. And it shows, a very comprehensive study, that 35,000 small companies would have to spend more in capital to meet the standards of those two periods than they have invested now that the cost -- in their present plants -- that the cost would therefore put them out of business, so that 35,000 companies would be put out of business, out of 70,000. Now, this is done by a competent outside engineering firm, and so that I think there are means of finding that information and seeing in perspective.

You are in perhaps a more complicated field, but the outside contractor often can be very helpful.

MR. HILLS: The Secretary of Agriculture.

SECRETARY BUTZ: I don't know how this group was arranged here. We have got the Commission members on one side and the Cabinet and White House on the other side -- it is something like a court room.

[Laughter]

The other day I was talking in my office about one of these regulatory agencies I don't like too well, and I had my finger pointing -- not toward you, Dick -- something like this, talking to a friend of mine, and suddenly I stopped. He said, "What is the matter, Earl?" I said, "It is just one of those fingers pointing at him, there are three back at me."

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[Laughter]

And I was interested in the President's comments here that some of the Executive branches of government likewise are at fault here. I have got in the Department of Agriculture 82,000 employees. I ought to make a note of that.

THE PRESIDENT: Is there more or less than you had last year?

[Laughter]

SECRETARY BUTZ: Mr. President, I plead the Fifth.

[Laughter]

Seventy thousand of those are in the field. The other day I asked my Assistant Secretary for Administration how many of those exercise the police power? I was shocked when I got back the figure of 23,000. These are people who issue licenses, who inspect, who grade, who have the power of life and death over a business, who are putting small businesses out of business. And I think, Mr. President, that you put your finger on one of the weak spots in this government when you mentioned that some of the Executive departments of government are doing this day after day.

I have got a poultry inspector out here, for example, in a poultry processing plant, let's say in Mississippi. They are running 5,000 birds an hour through that line. He has got the power to stop the line by pushing a button. He got up this morning. He had a headache. He came down. The plant manager assigned him a parking place over across the lot and it rained. He had to walk through the mud to get in there. He is in kind of an ill humor. He looks at the condensation on the ceiling of the men's wash room and decides it is not right. He punches the button and he stops the line for two hours. It costs that man $3,000 because this guy got up with a headache this morning. Now, I have exaggerated that a little bit, Mr. President, but not too much.

And I think that this Executive Branch is shot through with that. Now, I am instituting in my Department -- I am doing it because I knew you were going to direct me, too, anyway, and I am beating you at the gun here.

[Laughter]

I am instituting a self-examination top level committee and I am bringing some industry people into it, in my Department, to see where we can cut out some of this stuff we are doing that I am sure raises the cost of doing business that I am sure works against what we are trying to do, and that is to foster a healthy atmosphere in which small business people can survive and prosper.

MR. HILLS: Lew, you were so successful in finding unanimity, I hesitate to call on you, but do you have a further comment?

MR. ENGMAN: Let me interject a note maybe of some discord just for a second, Rod. I don't mean to disagree with my good friend Dick Wiley, but in terms of talking about levels of resources, we all now do have resources available to us. And it seems to me that conducting and making an effort to conduct this kind of cost-benefit analysis is one of the

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most, if not the most, important thing we can be doing with the money we now have, because through doing that we can find out how we can more productively use the resources which we do have.

MR. HILLS: If we may move to the second subject -- the issue of the regulatory procedures -- no subject causes more complaint than regulatory delay. Paul, would you start us off?

MR. MacAVOY: In reviewing the reports of the commissions over the last few years, it appears that the majority of the Commissions here today have experienced increasing time spans between requests for rate changes or for certificates and the final decision on the requests.

In the presence of inflation, with rapid changes in market conditions, for other reasons, the caseload in most of these agencies has increased remarkably since the middle 1960's. One of the general counsels of the Commissions, in a meeting the other day, called the situation one of pancaking -- we have had layer on layer on layer of cases, some with respect to the same company or market now in front of the Administrative Law Judges and the Commissions themselves.

The delay that has resulted has increased costs more than the percentage increase in the delay period. This is primarily because the slow-downs in construction during a period of rapid increases of construction costs have resulted in companies experiencing higher construction cost increases than might be expected under normal circumstances.

With a six-month to one-year delay in obtaining a certificate, we have a 30 or 40 percent increase in the cost of construction in some instances. On top of this, the costs of litigation have increased sometimes by two or three times, as the cases become strung out and become more complicated. On top of this, as well, there has been increased duplication of regulatory activities between State and local commissions. It now requires more than forty licenses in order to build a power plant in the Eastern Seabord Region, all from different agencies.

The question is: Can we by consolidating or otherwise changing regulatory case procedures cut into this growing caseload so as to reduce the time lost and the litigation and other expenses that are incurred because of the delay?

Added to this question is one that may take us in the opposite direction. At the same time that we have experienced delays, the number and strength of complaints on Commission non-responsiveness to individual consumers has increased as well. Is it possible to break through the present procedures and allow more access to individual consumers to the commission process, again without increasing delay or adding to the cost of regulation? What is the proper limit on the caseload as compared to going to other administrative practices that reduce the due process? What is the proper limit in the sense of allowing access to all parties to a matter that is now before the commission?

These are open-ended questions. I hope that we can find quick solutions. I know we can.

MR. HILLS: Chairman William Anders, the Nuclear Regulatory Commission.

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Bill?

MR. ANDERS: I have been asked to kick off the subject of methods of improving the regulatory procedures and, Mr. President, with your permission, I will restrict my comments to what I know more about, that is our own efforts to improve our own regulatory procedures.

While our responsibilities are directed towards safety, rather than rate setting or public convenience and necessity, as Paul MacAvoy suggested, all regulatory agencies share some problems which are amenable to solution through procedural improvement.

I believe our efforts are pointing the way to significant improvements for us and may have useful applications in other fields of regulation, and certainly we can benefit from knowing what others are doing, as we are learning here today.

So I believe that nuclear power can play an important role in meeting our Nation's energy needs and it can provide economic and environmental benefit to our citizens. But sound, timely and credible regulation of nuclear power is essential as to contribute full measure to the national interest, and my colleagues and I are committed to discharging our regulatory responsibilities in that manner.

The Nuclear Regulatory Commission is charged by the Energy Reorganization Act of 1974 and through it the Atomic Energy Act with the responsibility to insure safe and secure uses of nuclear materials and facilities. The NRC is also responsible under NEPA for weighing environmental concerns.

Now, since the great bulk of our work relates to licensing of nuclear plants, we are targeting our main efforts to improve our procedures in this area, improvements which we believe will work to reduce costly delay without compromising regulatory safety and other requirements.

Now, there are only three main facets to the licensing improvement efforts we have under way: First, the upgrading of management and licensing review procedures; second, involving the public at earlier and more relevant points in the licensing process; and, third, requesting new legislation where it is necessary for further improvement.

As for the first, we and our predecessor, the Atomic Energy Commission, have upgraded management and review procedures in an effort to promote stability and reduced delay in the nuclear licensing process. This upgrading has included encouraging the standardization of nuclear power plant designs, license applications and our own review procedures.

Second, carrying out our safety and environmental antitrust reviews in parallel, rather than in series, as it was in the past. The use of a new procedure that affords an abbreviated initial review which allows a much earlier start of site preparation and construction.

Fourth, systemized and computerized scheduling of staff and project tracking. Fifth, closer management review to insure that requirements proposed by staff are worth their cost. Sixth, incorporating more systematic consideration of the economic cost as well as benefits of proposed regulations and the timing of their implementation. And, seventh, improved communications with industry to facilitate license application submittals and standards development. And last but not least, encouraging State, local and Federal licensing action efficiency.

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As a new Commission, we are systematically reevaluating all that we have inherited, while also working to maintain the momentum of on-going licensing proceedings. Through this reevaluation, the Commission has recognized a great advantage of self-examination of existing and proposed regulatory structures and policies.

To carry out this function, we have created an Office of Policy and Evaluation, reporting directly to the Commission itself, and independent of the Commission's operating staff. We are also mindful that our actions have a large impact on the public and on the industry that we regulate. Both deserve prompt and effective licensing action.

Whenever there is a question as to whether we are meeting that standard, we examine the facts and causes in order to correct the specific situation and prevent its recurrence.

The second method being used to improve licensing has been the restructuring of regulations for more timely and thus more effective and efficient public participation. This is encouraged by the Atomic Energy Act and is crucial in obtaining public understanding of nuclear power and credibility of its regulation.

It is true that consequent public hearings which precede licensing action carry with them the potential for delay. But there are, we believe, constructive ways to deal with this by applying greater procedure discipline to the hearing process and by holding hearings at earlier dates which are less critical for plant construction or operation.

Finally, where the NRC is limited in achieving additional licensing improvements because of existing statutes, we have requested new legislation. For example, legislation which is presently pending before Congress would further speed the licensing process providing for: one, early decisions on proposed sites, independent of the specific design of a nuclear power plant; two, early and positive decisions on standard plant designs; and, three, further streamlining of the hearing phase of the licensing process.

The basic objective of this new legislation is to be able to reduce the probability that the licensing process will be a bottleneck in nuclear construction and to do this without sacrificing the present high standards for review which the public rightly expects to be maintained.

We have essentially been able to do this for using plant operating licenses. Mr. President, we welcome the full support that you have given this legislation.

Improvements have been made but, quite frankly, still more needs to be done. We intend to pursue aggressively the further streamlining of our regulatory process, not simply to meet present problems but be prepared to meet the increasing demands for the foreseeable future. Delays in nuclear power plant completion as a result of our regulatory process have become the exception rather than the rule. Slippages being encountered now largely reflect the state of the economy and the special problems related to refinancing. But as the economy improves and financing problems ameliorate, nuclear power plant construction can be expected to accelerate greatly.

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Mr. President, with your continued support and the good working relationship with the Congress, with increasing credibility with the public and those we regulate, the Nuclear Regulatory Commission intends to be ready to meet the challenge efficiently and effectively.

THE PRESIDENT: Mr. Chairman, it has often been reported in the news media that the time -- from the beginning to the end of a nuclear power plant in the United States -- it took roughly eight to ten years. The comparison has been made that it took twice as long in the United States as it did in Japan or some of the European countries.

I know you inherited that background and I am not being necessarily critical of your predecessors, but what is your objective in trying to reduce that from eight to ten year period and how quickly can it be achieved?

MR. ANDERS: Mr. President, indeed, the time of construction from beginning to actual on-time operation of a nuclear power plant has in the past been run an eight to ten year period, and indeed in other countries has been much quicker.

The overhaul of the procedures and the intensity of management pressure on the system, in the Atomic Energy Commission and now in our Commission, is reducing that time to where the applications that we receive now, considering that the others in this complete link of the chain, the constructors, the laborers and what not, the financers do their job, as we are able to do ours, will probably bring this time down to about seven and a half years. We would view that, with the new legislation and with the upturn of the economy, no labor problems, no material problems, this could get down to a five and a half year time period.

We are seeing overseas, which in many cases had about the same time periods that early licensing of nuclear power plants in this country, just the reversal of that trend.

MR. HILLS: The Nuclear Regulatory Commission is, as the Chairman says, a recent addition. By comparison, the Interstate Commerce Commission is within twelve years of its hundredth birthday. No Commission carries the brunt of complaints about regulatory delay quite as much. Chairman Stafford! George! What is the art of the possible?

MR STAFFORD: Oh, we think they have been doing pretty well, Mr. Chairman. We have been taking a number of actions pointed towards speeding up the actions there on our cases, but, as you know, many of the, some of the Executive Branch offices have the same problem we do, when you talk about the Administrative Procedure Act and your own act that you operate under. Not being a lawyer, it is easy for me to say that the lawyers have found good ways to delay many actions through proper procedures that are readily available to them under the act, and we have had some experiences just as I am sure the Justice Department has had.

So we have been working on that, but we have to keep in mind, too, that the things we are doing are service oriented towards making a better opportunity for the business community of this country to better compete with all of their neighbors, and this we are doing.

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We have taken some actions in our rate bureau, actions to make the rate bureaus more responsive to shipper interests, rate flexibility. Through going to the record, we have made it possible, we are making it possible that they can go as high as 5 percent a year without having to come in with all their procedures and proof, which cuts down on a lot of the time. And we continue, as we have in the past, the policy of non-suspends for lowering their rates. There seems to be a general feeling in some areas that we don't permit flexibility. We have always permitted flexibility, which permits for quick action.

I was pleased to see that the Supreme Court even said this year and commended us for the fact that we are continuing to encourage -- the ICC is continuing to encourage, and they are appreciating the fact that we encourage -- competition by our licensing procedures.

Now, then, we have recently had -- in fact, in January, I started and named some of our most knowledgeable and able staff people to prepare what we called from our blue ribbon panel -- everybody seems to call it blue ribbon panel these days -- we had one in January, that has been reporting to the Commission. And I in turn had asked our Vice Chairman and two other of our Commissioners, one, the latest Commissioner that the President has appointed, so that we could be sure to get their feeling of our brand new Commissioners in and then one of those who has been in the business a while, and so I would like to ask our Vice Chairman to speak to the blue ribbon findings. They have been holding hearings at the staff level about ways to cut down on the time.

MR. O'NEAL: Mr. President, my name is Dan O'Neal, with the Interstate Commerce Commission. We have undertaken to review a number of recommendations from the special staff that the Chairman established.

The first thing that is obvious is that there is a balancing required between due process -- the right of an individual to defend himself before government, before an agency, before a court -- and the interest that all of us have in expediting decisions by government. Certainly time is money and time wasted is money lost, so we are very cognizant of that.

There have been a number of things accomplished, such as reducing the number of extensions allowed and that sort of thing. We are looking now at how we might eliminate some of the procedural steps without sacrificing the protection of due process and we feel that we can make some substantial reductions by requiring a better case to be presented in the first instance by attorneys practicing before the agency and by eliminating perhaps one review level. And this can result in the saving of several months in even the simplest cases.

We are well on our way, we feel. We haven't quite made these recommendations yet; we haven't finalized them yet for the Commission as a whole, but we feel that within the next few days, as a matter of fact, we will. There are a number of fronts on which regulatory lag must be attacked and we are trying to reach all of them.

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MR. HILLS: Chairman Robson, the CAB?

MR. ROBSON: Mr. President! Rod! While I am one of the new boys on the regulatory block, I must confess that the complexity and delay in the regulatory decision-making process is one that even in a short time has troubled me greatly and, indeed, as you look over your dockets, one gets to feel that the gestation period of a regulatory decision is creeping near that of the pyramids.

We have undertaken a major effort on this front and the point I wanted to make was I think what you need to do is to make a fundamental analysis of the character of decisions you are making, and their evidentiary base. And to really address the fundamentals of whether to meet standards of fairness and to render an adequate decision, you need to subject to the process that you are now subjecting it to various different kinds of information on which you found your decisions. My suspicion is that the central decisional facts in many cases before the regulatory agencies -- and perhaps I should limit my comments to those in the economic regulatory area -- are relatively few and that we introduce perhaps a welter of peripheral information that we might find other ways to have at our fingertips without making our procedures unfair.

That is really the underlying mission of the effort that we have gone on, is to really look at our decisions. What are they? What basis are we making them on? And why do we require this kind of information or, indeed, why do we even let it in?

I think that our effort will embrace both a look at our own procedures but also our own statute and the Administrative Procedure Act, with the idea that we want to limit the size of the proceedings to only that that is necessary.

I should only add one thing: There is kind of a tension these days as to whether we are heading for more process or less process. The one point of view which I have just mentioned I think at least in some camps is challenged as agencies being unresponsive and not having sufficient process available particularly to individual consumers or consumer interests. There is I think a tension in this area that is indeed partly being fought out in the Congress, but which is one that I think the individual agencies are faced with rather persistently.

MR. HILLS: Our effort here is to find as wide a range of views as we can. This is a subject in which the Congressional leaders that met with the President two weeks ago expressed great concern. I hope we could find today some promise that something major can be done. Since that is something to be accomplished, it is something that we hope to get from the meeting.

Chairman Bentley, of the Federal Maritime Commission?

MS. BENTLEY: Thank you. Mr. President! Rod! Sitting here, I wonder myself, do we really belong here, even though we come under the umbrella of the regulatory agency? The Federal Maritime Commission does function in a different manner than the other transportation commissions in that we don't license anybody. We have free entry in both the domestic and foreign trades. We don't control rates. We think we probably should in the domestic area, but we don't so far.

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We have made great efforts to reduce the procedures wherever we could legally. We have combined cases wherever we can. We find ourselves faced in a couple of instances by Congressional action that the NEPA rules, which the courts recently determined did apply to regulatory process, and now of a number of cases before the Administrative Law Judges, these are going to be dragged out from six months to a year because of that. And the costs are going to go up, not only the costs of the agency, the government, but also on the part of those who are involved in the cases. Our costs alone will be increased 6 percent just because of the NEPA rules.

In another instance, in the Executive Order 11836, concerning cargo loss and damage reports, I have been fighting that for four years, because I feel that this shouldn't be another burden on the industry, but we have it. And the industry claims that they are going to have to file from 300 to 10,000 reports each quarter, each steamship line is going to have to do that. And I felt that this could be done on the customs reports. These are some of the things that we don't control, but they are being burdened on the industry and these are just some of the points.

MR. HILLS: Let's widen the discussion for just a moment. Yes, sir? Would you mind?

MR. SOMMER: Mr. President, my name is Al Sommer, Securities and Exchange Commission. It is sort of difficult to talk on this topic without being thought that you are pointing the finger to your fellow Commissioners on the other agencies or perhaps pointing the finger at yourself and your fellow Commissioners on your own agency, but I would like to point out I think there is one thing that we can do individually that has a great deal to do with this.

Much of the delay is a procedural matter written into statutes and rules; much of it is a requisite, I think, for the purpose of assuring fairness to all the people who deal with our agencies. But I think individually what we could develop is a sensitive, a highly developed sense of impatience. I think sometimes all of us are much too patient with delays of our staffs, delays with the paperwork that flows across our own desk, delays with litigants who come before us. We are much too willing to grant extensions of time within which to get things done. We are willing to put things aside and suddenly they are out of memory and, the first thing you know, a month or two months have gone by and nothing has happened on a file where action was timely maybe two or three months before.

I am reminded of the story of a lawyer who was arguing a case before the Supreme Court when Justice Frankfurter was still living. He said -- he was being peppered with questions, as was characteristic of Justice Frankfurter -- at one point, when his time was nearly up, he said to the Justice -- and I think he had a Southern accent, which I shall not try to imitate -- he said: "Mr. Justice, time runs much faster on this side of the bench than it does on yours. May I proceed?" And I think we ought to remember that time runs faster perhaps on the other side than it does on ours and I think we should bear this in mind individually and be impatient with ourselves, with out staffs, and with the people who appear before us.

MR. HILLS: Chairman Simpson?

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MR. SIMPSON: I would like to just comment on another part of this agenda item, which is the efforts to include consumers, that you mentioned. We have a statutory requirement in the Consumer Product Safety Act to involve consumers in much of our activity. And then we, by policy, have adopted other practices which I believe meaningfully involve consumers, and perhaps I can touch on them.

In a couple of areas, we have by policy adopted means to directly communicate with consumers and they are very inexpensive. We established a toll-free number in the United States to communicate an emergency some time ago, approximately two years ago, and it was so successful we have continued that. We are now receiving about 100,000 calls per year. We find we are able to answer those in about 48 hours, mostly with pre-automated information. About 75 percent of the calls are requests for information from the agency -- and about 25 percent are safety complaints, which we use as part of our data bank.

We have also taken steps to abolish secrecy in our agency. We have no closed meetings. By policy, all meetings of any one of our staff with any outside party is open to the entire public to attend. It is noted in advance on a public calendar, and consumers do come in. Now, many times it is a little frustrating with the policy to live with when you have a meeting in your office with a couple of people and a hundred outsiders show up. But we do move those to conference rooms. And that is the exception rather than the rule. As a matter of fact, we think we have lended some credibility to the regulatory process because we have decreased speculation as to what goes on in these closed meetings and, as a matter of fact, in about 95 percent of the cases, no one shows up other than the ones who were coming in anyhow. So when you open the door, people don't take advantage of it.

On time, regulatory time, we have a provision of our law where every citizen and every group is granted the right of petition, to write a petition, to write a standard or ban products. By law, we must respond within 120 days. Even if the law says we must, we can't in all cases, but it is a spur to get speedy action.

We have a recent -- we have had over 200 petitions in the two years we have been in existence, which range anywhere from banning pet turtles to banning all aerosols because of the flurocarbon ozone problem, so they span all the disciplines.

Also in standards writing, which is a basic fodder of our agency, writing mandatory standards, the Congress requires us, on the one hand, to write a standard in virtually 90 days, but, on the other hand, they require us to do so by allowing private parties to write that standard for us and involve all parties in the United States, including consumers. And, you know, it is a truism, the more people you have, the longer it is going to take. We have, in fact, though had some experience now where consumers, in fact consumer advocates, are sitting down in a standards writing process with industry people. They start out initially very skeptical, but over a period of thirty or sixty days of working in a closed environment they find that they have a great deal of respect for each other. So we think it is model.

MR. HILLS: Chairman Nassikas, and then, George, we will let you close it off.

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MS. REID: Mr. President?

MR. HILLS: Oh, I'm so sorry, Go right ahead.

MS. REID: Mr. President, Mr. Vice President, I would like to just add a bit to this consumer responsiveness that we have done at the FCC.

We have had various regional meetings throughout the country. We started in Atlanta, then met in Chicago, and here in Washington, and we expect to meet in the Midwest, farther West and then in the Far West perhaps later this year or next year. We have met with the public, we have opened these meetings to the public, and, believe me, they have been a little wild, particularly in Chicago. We at the FCC do receive complaints. But we have felt that this has been a marvelous -- given us a marvelous rapport with the public, with citizens groups, with the consumer, so to speak. These meetings have also been coordinated with our Licensees' Workshops meetings, so broadcasters have been involved. They have come to the open meetings and we on the next day have met with them in their workshops. So we have had that coordination.

We feel that this has given us an insight into the public's feelings about our Commission, about our regulatory processes as they view them, and has been very helpful. We have also met with various citizens groups, Commissioners en bloc have met with the citizens groups. And we do this frequently at the Commission. I think this has been very helpful also.

I might add just one thing to Barbara Franklin's comments, too. I think this is very helpful, and I would hope, Mr. President, that this would be only the beginning of such meetings. Thank you.

MR. HILLS: John, did you have a quick comment?

MR. NASSIKAS: Just a very brief comment. To reduce administrative burden, Mr. President, and also to increase competition, in 1971, we released some 4,000 small producers from direct price regulation and handled this on the basis of indirect price regulation. It required three years before the Supreme Court affirmed our actions. We also, to increase competition, placed pipeline producers on a parity with our regulation of major producers. This also saved considerable time. This action required two and a half years to be affirmed.

But the real monster is the following: All major actions of our Commission are appealed to courts. Currently, we have over a hundred cases that are in the Federal court system as a result of the Administrative Procedure Act and controverted cases.

A key factor in all energy regulation, I submit, is the lead time required from the inception of a policy to its culmination in securing production and delivery of incremental energy supply. This is generalized through anything we do in energy.

The total time consumed in establishing area rates for southern Louisiana, which is our most prolific gas producing region in the country, was thirteen years, concluding with the Supreme Court's opinion of June 10, 1974, which affirmed our decision in July 1971, increasing the price of gas in a nutshell from 18 cents to 26 cents. This is the equivalent of $1.50 a barrel of oil.

In contrast -- here again, trying to do what we can under our statute -- we established a national base rate of 57 cents by rulemaking in eighteen months. I am not proud of the eighteen months, it should be done in six months. However, we did it. This case also was on appeal in the U.S. Court of Appeals for the Fifth Circuit. Undoubtedly, it will reach the U.S. Supreme Court before it is finally decided.

So I will submit that an uncertain climate of regulation, subject to judicial review, under a restrictive statute, can't possibly induce the vast commitment necessary to affect an improvement of gas supply of a magnitude required to serve the needs of a growing economy.

I think it is important, even apart from gas deregulation, which I advocate, that the Administrative Procedure Act be amended so as to make certain that all regulatory agencies can prescribe rates by rulemaking. We believe we are right in our interpretation of the law that we can prescribe national rates for all producers by rulemaking, but to avoid judicial lag, the Congress should pass a statute on that point.

MR. HILLS: Ms. Hanford, did you have a brief comment?

MS. HANFORD: Yes.

MR. STAFFORD: Much briefer than John's "yes."

MS. HANFORD: Just very quickly. Elizabeth Hanford, Federal Trade Commission: I just wanted to reiterate again the importance of consumer input in the regulatory process -- the opportunity for the individual consumer to have a part in the decision-making process of his government.

I think there are ways that these opportunities can be enhanced and, as we try to enhance them, we must keep in mind also that the consumer must be provided with information and education as to what his rights are under the laws that we enforce and the regulations that we promulgate.

And I think that the efforts recently to try to provide information to those beyond the antitrust bar about the antitrust laws is an example of moving in the right direction there to inform the individual citizen about the laws in the antitrust area. And we can do more, I think, to move in that direction in, for example, just providing an analysis of a complicated consent order in layman's language so that those who do have an interest can respond and can provide input. I think we should also move in that direction.

Thank you.

MR. HILLS: George!

MR. STAFFORD: My remarks go back to a few words that Helen were saying a few moments ago, and fit pretty much into what the President's position has been, and ours, on the slowdown that NEPA has created in all of our actions, and the fact that we had to solve the NEPA problem on our major cases before we could ever get to the point at hand, the question that was before the Commission.

So if you haven't read the case that the Supreme Court -- we are all loving the Supreme Court these days -- if you haven't read their decision handed down in our scrap case, on the NEPA matter prior to getting into the case itself, that they just became one more party in the case to be settled at the final case time, but they added an addenda and said, in effect, this covers all your other cases where you have got problems, all of our abandonment cases, railroad abandonments were help up for over a year because we couldn't get our NEPA problem solved in order to get to the case of abandoning the railroads. And so the Supreme Court, with one quick brush, the other day, just wiped all that slow-down out for us. We still have to consider it, but only as a party in the case at the time we are making the final decision.

MR. HILLS: The third topic is the issue of whether competition can indeed be encouraged in regulated industries.

Paul?

MR. MAC AVOY: In attempting to familiarize ourselves with your activities, we had the remarkable and interesting opportunity to go back to read the Senate and House committee reports and the actual bills that were passed setting up your agencies. In almost every case, we found some reference to the ultimate justification for regulation in that industry, was that it was not competitive enough to provide the quality and price for the consumer that could be gotten from controls. The justification for regulation, in other words, was that competition failed to exist in the industry to a sufficient extent to allow the market to operate in an unregulated fashion.

As we go through the history of the Commissions in the last ten years, there seem to be a number of cases that are paradoxical to the original intent of the law. Rather than regulation being a substitute for poor competition, regulation has prevented what competition there is from working. There have been significant impediments to the entry of new competitors from the use of the certificate proceedings. There have been significant controls over rate changes which would have occurred in even partially competitive markets as a result of cost and demand changes.

The question then is, what can be done to allow the amount of competition there is to work as fully as it can. The question might be put in more direct terms: Why can't we free up entry into these industries by essentially eliminating the certificate of necessity and convenience? The only justification given in the record establishing the Commissions is that in some cases there are economies of scale which prevent the full operation of competition. There is only room for one or two firms.

Well, in that case, then, the question becomes: Why can't we free up entry except where there is significant evidence of economies of scale? Why should there be any other reason for limiting entry of potentially effective competitors? The same sorts of questions arise in rate flexibility and response to cost and demand changes. Why can't we increase the amount of competition among companies by allowing more flexibility in rates?

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MR. HILLS: The Securities and Exchange Commission has indeed required competition in rates recently. Chairman Garrett! Ray! What are your comments on the subject?

MR. GARRETT: Mr. President, Rod, the methods by which a regulatory agency may properly encourage beneficial competition among the companies subject to its jurisdiction must depend both upon the practical economic circumstances of the affected industry and upon the agency's legislative mandate.

Some regulatory agencies were created on the premise that in certain industries competition would do more harm than good, particularly where industries were new and thought to require special protection; others because they were accepted as natural monopolies. Airlines are an obvious example of the former; electric utilities the latter. But the situation is further complicated by increasing instances of inter-industry competition.

To the extent, however, that economic conditions and statutory discretion permit, the primary method of promise for the regulatory encouragement of competition is the objective reevaluation of accepted patterns and practices under present conditions and attitudes. It would, in my opinion, be wrong in principle and, at any rate, impossible under existing statutes for regulatory agencies abruptly to assume that all legal restraints are undesirable, insofar as they might in some respect be regarded as discouraging the virtues of unfettered competition.

The myriad ways in which the Federal Government intrudes upon the economic activity of our citizens is far more pervasive and the whole matter far too complex to be resolved simply by decreeing that there should be more competition everywhere all the time. Much regulation was born of perceived inadequacies of uncontrolled competition in selected areas. In many instances, there does not appear to be any compelling reason to believe that the inadequacies of free competition that these agencies were created to redress would not arise again if the agencies were abolished or their authority sharply altered, although in other instances circumstances may have changed so fundamentally as to make traditional regulation now unnecessary and harmful.

The road to progress, in my opinion, lies not so much in radical surgery as in thoughtful, objective analysis and programs carefully implemented. The Securities and Exchange Commission has limited involvement in the direct regulation of prices. The one area in which we have been involved has been that of minimum commission rates for brokerage services charged by members of the national securities and exchanges, especially the New York Stock Exchange. By rule, we caused the abolition of such minimum rate schedules effective May 1, 1975. This action has been applauded by everyone except most of the brokers and dealers who naturally were the persons most affected.

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The full consequences of the unfixing of commission rates are not yet known but, in any event, in view of the special characteristics of the securities markets, there is a question whether it provides a useful example for other areas of regulatory activity. Certainly, it will not mean that equally beneficial results will necessarily flow from removing all legal compulsion or protection from rates and prices in other areas, but it does mean that the possibility should be examined.

In many areas, added competitive regulatory shields have become so subtle an accepted part of life that reexamination of their justification requires a major intellectual effort. Yet it should be done and done again from time to time because economic conditions can drastically change the appropriate thrust of regulation.

We have seen this dramatically illustrated in recent years. Much regulation was initially imposed to prevent overcharging by companies and industries where duplication of facilities seemed practically impossible or wasteful. The so-called natural monopolies being monopolies or nearly so were thus affected with the public interest and could and should be subject to legal controls.

The changing technology and other facts can alter the appropriate regulatory response. Examples abound: Not long ago, it was accepted doctrine that competition between electric and gas utilities should be encouraged, thus stimulating maximum production and consumption and lower costs for consumers of each product. Within the electric field, proposed combinations of systems were resisted on the ground that competition for greater use of electricity and thus lower unit costs would be discouraged by the combination. Almost overnight this attitude has been a quaint anachronism, totally inconsistent with current interests and conservation of energy in the face of growing shortages and concern for the environment. Similar changes have occurred in other regulated areas.

Mr. President, the desirability and feasibility of stimulating beneficial competition on presently regulated industries is much too complex a subject to permit precise recommendations in such brief remarks as these, even if it were seemly for me to presume to advise other commissions on the exercise of their responsibilities. But I do strongly urge, as the critical reexamination of the accepted patterns, in the light of present circumstances and the willingness to experiment. If all areas where regulators now determine prices or protect against competitors are required to justify themselves anew for the present and foreseeable future, we may find many instances in which the heavy hand of regulation can be lifted with good effect.

This reexamination process will, no doubt, uncover instances of agency inflexibility, but it should be borne in mind that such problems may also be the product of statutory mandates which either foreclose administrative flexibility or fail to encourage it. If the reevaluation process is ultimately to prove most effective, administrative agencies must be given the flexibility to respond to new conditions as they discover them.

Thank you.

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MR. HILLS: The Civil Aeronautics Board has recently announced an experiment in deregulation for greater competition. John, is it a deep enough and broad enough experiment, in your judgment? And do you think you are going to be moving in that direction?

MR. ROBSON: Well, the depth and breadth, Rod, of the experiment which we have proposed in essentially outline form is something upon which we have asked for comment and expect to get thoughtful comment upon. What we have tried to do is, as Ray has suggested, reevaluate the concepts of regulation to try to, in a laboratory which we hope will provide a useful output, introduce some of the concepts of flexible pricing, freer entry and exit, and see what we can add to the knowledge base and gain some insight as to what the application of those kinds of concepts might have on a system-wide basis.

I am hard pressed to answer your question with a yes or no, because one of the parts of the development of the experiment is really to get thoughtful comment upon an outline for experiment. We have suggested, indeed, part of our question is if this isn't a good one, have you got a better one? -- So in terms of willingness to reexamine, we think that is important.

We think it is important that those whom we regulate reexamine their own futures and the regulatory regime that might best fit their needs in the long term, because they obviously are the ones who are most immediately affected. And -- to the extent that we stimulate thought on that, we think that is important.

MR. HILLS: Mr. Springer, Federal Power Commission?

MR. SPRINGER: Mr. President, recently I went back to look at the Congressional Record -- and it is always good to do that once in a while -- and I find that you and I voted twice for deregulation of natural gas. There must have been a reason for this, at least in our own minds, as to why those votes were made as they were.

It was my understanding that we did that in order to stimulate the production of natural gas so that there would be a greater supply. Now, what happened? Well, I have just been down there two years, and each one of those years the supply of gas has gone down. The rationing of gas has gone up. This year we expect it to be in the neighborhood of 40 or 45 percent less consumption than there was last winter, and that is in addition to roughly 35 to 40 percent less than the year before. So this gives you some idea of why we voted for deregulation. Now we are finding, twenty years, that it took twenty years to prove that our votes were right.

(Laughter)

I don't know how much longer we could go on waiting. Now, what is the situation? And my predecessor, Pinky Walker, who now is back as head of the School of Commerce at the University of Missouri, and his last parting words to me said, "Bill, there is nothing economics will determine." What did he mean by that? Simply this: You have three really forms of

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energy today in this country, 90 percent of it -- coal, oil and gas. Well, out of those three, as any of you know, gas is the Cadillac of fuels. I would say that oil is the Oldsmobile or the Mercury, and coal is the Ford. But what --

(Laughter)

I hope I didn't offend any car makers here. But let's look at these three fuels. If we were to take them in the form of that, the Cadillac of it is selling for a third of the price of the Oldsmobile, and half the price of the Mercury. It is ridiculous that the Cadillac is selling for one-third the price of the Oldsmobile and one-half the price of the Ford. This seems to me so demonstrative in the economic field that you simply cannot keep on inevitably selling the most desirable product that is on the market in the form of heat or fuel per BTU unit for a third or a half of what the competition is selling for.

Now, what does this do? And I can only emphasize this this way: If you were investing money, and if you were the chairman of the board of a company and you were sitting down at Christmas time, you certainly wouldn't send your money out to find some gas fields. You would sent it out to find some coal or some oil, and that is exactly what the companies have done in the last four or five years. They have put their money where the economics is, where the money that can be made from it. This is the American system at work. And so they sent their money out to the Near East to produce cheap oil and finally you get an embargo and it goes up three times what it was.

Now, these are things that happen when you try to restrain the economic system from working on the kind of a system that we have.

Now, to show you further from where we went back twenty years ago, when the President and I -- the last twenty-one years ago, 1954 -- the last time we voted on it. Our reserves this last year increased by 7.9 trillion cubic feet. That is all the reserves in proof. But what did we use last year? We used 23 trillion cubic feet of gas last year. In other words, in short, we are using it at three times the rate that we are increasing the reserves in the gas field.

Now, these figures alone to me indicate that competition is the thing that is going to get you a greater supply, and the only way you are going to compete is to allow them by some means to be able to charge something in the vicinity of what their competition is getting. Otherwise all of your money and your economics are going into other forms of energy.

We didn't ask for deregulation of gas wholly. We asked for deregulation of gas, new gas. Now, why did we ask for deregulation of new gas and not deregulation of gas as the President and I voted twenty-one years ago? For the simple reason: There were a great many critics on Capitol Hill who said, "Oh, you do that and the price of gas immediately will shoot way up and skyrocket and people won't be able to afford it." By deregulating new gas, not old gas but new gas, it meant that old gas when its contracts expired, would take a new gas price, naturally. New gas, however, would be decontrolled and at the rate of the expiration of contracts each year, it

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is about 7 percent, which meant in essence that it would take approximately fifteen years to decontrol all the gas in the country. The result of it would be that you would get a gradual impact of an increase in price, which would put you then in competition with your other fuel, which made sense.

We didn't attempt, nor did we ask the Congress to decontrol all gas and to allow it to shoot to a skyrocket. And, in addition to that, the Chairman and I testified before the Stevenson committee that we would be willing, if they would give us this kind of a deregulation of new gas, that we would assume some responsibility and would allow it to be written into law, that if it got out of control, that we would assert ourselves. Isn't that right, Mr. Chairman?

So I can't see but where we have attempted -- and these are the recommendations, I understand, you have made, Mr. Chairman, the same as ours -- why this is not a fair and equitable way in which to promote. I am talking about competition of money, now the competition of economics, which is just as important as the competition, say, between two companies. But I think, overall, that if we could have this kind of deregulation -- and I think that is something we have to have from the Congress -- we cannot utilize this ourselves, we are strictly bound by the law -- the Natural Gas Act which is, as I say, somewhat antiquated. Before the Stennis committee the other day, I used something like "antiquated like the horse and buggy," but I don't think it is quite that bad, but it certainly could bear a great deal of improvement, which would give us an opportunity I think to promote a situation where we could get an adequate supply of gas.

THE PRESIDENT: Mr. Chairman, let me make an observation, or two of them, I should say. Bill, I am glad that we had such foresight twenty-one years ago that is being validated by the unfortunate circumstances we see today.

The second -- and you indicated by inference -- the lack of adequate natural gas, which is being caused by the artificially low price, will mean substantially less jobs this winter. It inevitably, as you and the Chairman of the Federal Power Commission know, will mean that interruptible service will be precluded in factories in New Jersey, in Illinois, in Michigan, in Ohio, and many other States. And the lack of affirmative action to raise or to eliminate the regulation in this area will substantially cut jobs this winter and could, if we don't get some action, interfere with our economic recovery in the months ahead. And the Congress has an absolute requirement to move on this legislation, and every day they delay means a greater possibility of fewer jobs and a roadblock in our economic recovery.

MR. HILLS: George first, and then Lew, please.

MR. O'NEAL: Dan O'Neal, Interstate Commerce Commission.

MR. HILLS: Very good.

MR. O'NEAL: I would just like to make one observation insofar as this subject relates to the regulation of transportation. The purpose of transportation regulation in the United

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States has been to provide a private common carrier system to place all businesses in the country in a position so that they can compete no matter what their size, where they happen to be located in the United States.

I think probably there may be room for adjustment in the entry requirements, but I think it is important to keep in mind at the present time entry requirements carry with them service obligations. The carriers are required to provide service. If that obligation is gone, then the question is who will suffer, and I think there is a substantial question or a substantial indication that those who suffer will likely be the smaller businessman, who will not have the capacity to fill up a truck, say, every time he makes a shipment. And this has been verified recently by a study of deregulation in Great Britain, where those commodities that can be shipped in a full truck were shipped at a somewhat lower price than previously. But those smaller shipments that could not fill up a truck, the cost of those rose substantially. So I think this is an area that certainly deserves review, but I think we have to move with some care as well.

Thank you.

MR. HILLS: Lew?

MR. ENGMAN: Mr. President, what I was going to say was that Paul MacAvoy raised some questions as to why entry had to be limited and all of the comments that I have heard thus far have been in the direction of encouraging competition. Dan has made some defense of why we have to limit entry, and I guess the only question I would raise is, that may be fine, perhaps we do want that service, that added service, but let's find out what the cost of that is to our economy, so that we can measure off and trade off the benefits of the cost with that so-called improved service, so we can make a rational judgment, so the Congress can make a rational judgment as to whether it is really worth it.

MR. ROBSON: Mr. President, may I just add one point to that, since we seem to be pretty much involved in entry control. There have been two countries, Canada and Australia, who have now tried the deregulation route. Both of them have had teams over in my agency taking a look at how we do it. They are going back -- and you have probably been reading lately that Australia is very close to going back to full regulation. Canada is not that far along with it. But they have been down talking to me, talking to the people in my commission about how do we do this. I would just like to make that note.

MR. HILLS: Helen, did you have a comment?

MS. BENTLY: Yes. I would like to point out that the Federal Maritime Commission was established back in 1916 as a result of the fact that it was felt that competition created more harm than good at that time. The foreign steamship lines serving the North Atlantic and the United States were engaged in a very serious rate war and they came to the Congress and asked them to do something

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about it. So with that the Shipping Act of 1916 was passed and under that -- under section 15 -- the Federal Maritime Commission is empowered to grant any trust immunity to steamship conferences, which our friends in the Department of Justice are unhappy about at times. But we do have open steamship conferences in this country and now our American flag lines feel it is very important that they have to have the Federal Maritime Commission behind them to survive.

However, here again, we are faced with an uncontrollable factor, and that is that the United Nations (UNCTAD) recently passed the Code of Conduct for Liner Practices, in which it is calling for closed steamship conferences internationally. Although we haven't approved that, if this does become international law, this country is going to be in a real dilemma.

MR. HILLS: Glen Robinson?

MR. ROBINSON: Dan O'Neal's comment gave me the first opportunity I have had to disagree with anybody. The image conjured up here that regulation is something that is predominantly oriented to helping the small consumers is one of the prevalent myths I think in our American folklore. From my experience, both as a teacher in regulated industries for a number of years, and as a recent regulator, is that that plays a very, very small role, and I see nothing, since I came to the FCC, to disabuse me of the notion that predominantly the regulation has the effect of protecting businessmen who have an understandable allergy to competition, but one which we should resist I think. And the traditional response by saying, well, we do this, of course, to protect the public's right to good service -- the fact is, however, most of the agencies -- and I think the FCC has been historically as guilty, I suppose, as any -- have not protected good service. Service has been deteriorating.

So I think we have to ask ourselves whether there isn't time to at least take another hard look at this problem and find out whether the alternative competition wouldn't actually provide better service. And I must say, the idea right now, sort of looking abroad to find out how Great Britain is going about it, seems to me to be somewhat odd, in view of Great Britain's problems. I think that would probably be the last place we would want to look right now.

MR. HILLS: I think we have largely covered both topic three and, thanks to Commissioner Springer, we have indeed discussed the question of whether or not agencies ought to reexamine their reason for existence in certain regulatory activities.

John, do you have anything to add to Commissioner Springer's comments on topic four?

MR. NASSIKAS: I will try to cut this very short. I have some prepared remarks.

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MR. HILLS: And since our time is already short.

MR. NASSIKAS: I know. Actually, there is a consensus today I think to critically analyze the economic regulatory structure of government, as the President has said, and to make necessary changes to achieve national policy goals, without the imposition of unwarranted and costly federal intervention.

I want to emphasize though that our continuing inability to agree on a national energy policy is a dramatic illustration of the problem of finding solutions before we know what the consensus is on our objectives. Until an energy policy has been agreed upon between the Administration and the Congress, there is really very little to be gained from debating the pros and cons of agency reorganization and administration reform insofar as the energy agencies are concerned.

I want to get back to natural gas now. The pervasive and deepening depletion of natural gas supply is an illustration of the consequences of governmental failure to agree on national policy goals. The Natural Gas Act of '38 is not suited to the realities of '75. As you pointed out, Mr. President, unquestionably, because of the shackles of the Natural Gas Act, there may be unemployment this winter. In the event that unemployment is averted, it will be at higher costs to the consumers. We have recommended the exemption from price ceilings for 180 days in a bill that is pending before OMB and there is a companion bill that has been introduced in the Congress. Even if the Congress does not succeed in deregulating natural gas, as we have recommended, that at least there ought to be emergency powers granted to the Federal Power Commission to exempt dedications of natural gas to curtail pipelines to supply needed energy to industries which affect employment in this country. So I just want to raise that point.

One illustration of the extent to which curtailments have reached: We estimate that about three trillion cubic feet through March 1976 less than the amount needed will be available to supply the interstate market. This equates to one and a half million barrels of oil a day, or more than 20 percent of U.S. imports of oil and oil products of 1974 levels. And at $12 a barrel, this oil equals over $6 billion or double the revenues of all producers selling to interstate pipelines. So that the tradeoff here is consumers theoretically will pay twice as much for imported oil than they pay to all producers in the United States as a result of the unfulfilled and deferred demand.

I just say one more point on deregulation. In the belief that a workably competitive market -- and this follows Paul MacAvoy's thesis -- in a free enterprise system is a better regulator than centrally enforced economic controls.

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I have recommended since early 1973 that prices for new supplies of natural gas be deregulated, with protective covenants for the public interest, including a windfall profits tax, with appropriate credits for investment and exploration and development of natural gas resources and monitoring of prices by the Federal Power Commission, as well as what you indicated, Mr. President, the strict antitrust enforcement by the Justice Department and the Federal Trade Commission.

Legislation has yet to result, as you well know. I say that natural gas producer deregulation is an energy policy imperative. I have said this for many years. The electric utility industry -- another point that has to be addressed, I think, is what we are going to do about the electric utility industry and the natural gas industry insofar as their financial requirements are concerned. Both industries are in bad shape. The electric utility industry has improved, but I certainly endorse most all of the regulatory reforms, the tax credits, the investment tax credit, and some of the other fast writeoff provisions that you recently recommended, and I have so spoken before various committees of Congress.

I think that we also need congressional reform of the congressional committee structure. There should be a joint committee on energy established, I believe similar somewhat to the Joint Committee on Atomic Energy. I have testified personally, and it is a real privilege to testify before the Congress, 96 times before twenty congressional committees since I have been Chairman of this commission. Number 97 will come up on Monday, and the topic of that will undoubtedly be why we should not deregulate; I intend to say why we should deregulate.

That is all I have to say at this time. Thank you.

MR. HILLS: We have just one minute left. Chairman Bagley is Chairman of the newest commission created, the Commodities Futures Trading Commission. In that time, Bill, can you tell us whether you are going to narrow the scope of regulation, before it is too late?

MR. BAGLEY: Give me five minutes and I could. Rod! Mr. President! With ten weeks' tenure in town, I would be presumptuous, but I am going to try anyway. I am going to try to throw out a couple of broader ideas which might help all of us, if the ideas catch hold.

First of all, with that brief tenure, we don't suffer yet from hardening of the categories. We are not afflicted. But, instead, in response to your specific question, the Commodities Futures Trading Commission was created out of a demonstrable situation where there was a lack of confidence in the markets. So if we -- and this is probably the origin, the genesis, of most of the commissions -- at least initially, if we can do what I like to call "regularizing" rather than regulating the markets and restore and build up public confidence, you are going to get a broader market and therefore more competition. So initially it looks good.

But I get to thinking, our fellow commissioners are getting to thinking now, what are we going to do with this beautiful new opportunity to not allow ourselves to fall into the regulatory malaise. I have two ideas.

What we need are mechanisms that will keep all of us going when none of us are here. One I espouse is to ask Congress to have an automatic review, a ten-year review, if you will, not just budget but authorization review for everybody in this room -- not including you, sir -- for all of the commissions.

(Laughter)

For all of the commissions, simply so that a person will have to -- a chairman and the commissioners will have to justify their existence or not continue in existence. I would hope that Congress would do that for us.

Number two -- and this can cause some controversy -- I am just out of the legislative arena and the author of every open meeting act in California -- I would like to say, by congressional action, even by Executive Order, if it is possible, a creation of an aura of openness. You don't have to answer all of the detailed problems. Of course, there are some exceptions. I have run into them all in my legislative experience, and beat them all down also.

The point is that, with openness, you would get consumer access, you would create more confidence in the regulatory process. Automatically you would create an aura or atmosphere that government is responsive and also that openness would provide a constituency that I don't think commissions have. The natural political constituency is not existent, therefore perhaps we do get or are subject to the risk of becoming captured by a smaller constituency. With openness, you are going to have some responsiveness. I hope those ideas will be thought about.

Thank you.

MR. HILLS: Thank you.

Mr. President.

THE PRESIDENT: At the outset, in the closing remarks, let me thank each and every one of you for your participation. You have a great responsibility individually and collectively. Some are old in origin, some are relatively new, but each of you have a very definite mission, and you have some monumental problems to face.

As I said at the outset, this is the first meeting of this kind and I do get a sense that perhaps subsequent meetings would be in order. I do feel that the Congress will be responsive to the effort that is being made by you and by us and I am certain that your relations in this area with the Congress will be improved, particularly if you respond to what they are suggesting and what we are approving.

Naturally, there are five follow-up actions that I would like to emphasize. Each Chairman, I hope, will give further attention to the cost-to-benefit analysis of the commissions under their chairmanship. I think it is absolutely essential that we fully understand the economic costs of your activities in order to take concrete steps to achieve these reforms. And to facilitate this understanding, I would hope that you would actually issue the cost-benefit analyses on your major programs. This would parallel the inflation impact statements that are required of the various Federal departments and agencies in the Executive Branch of the government and they would coincide with the requirement now in the House of Representatives for an inflation impact statement on every major legislative proposal that is submitted to the House as a whole.

Secondly, I would ask that you undertake a comprehensive and specific review of all areas where regulatory delays presently occur, in order to eliminate any of the impediments to a speedy and an effective process.

I think it makes sense to set a goal of six months to see if you can't in a demonstrative way show a reduction in any of the regulatory delays that you know better than I and better than others take place.

And, third, I would ask that you study and revise the procedures as they are appropriate to insure that you are responsive to the legitimate consumer interests, and that your actions are more clearly understood by the American people.

And, fourth, that you should consider the most fundamental changes that would move us toward deregulation in areas where the regulatory process no longer makes sense. And I think Chairman Nassikas has made a very valid point in the case of deregulation of natural gas. In some areas, it is increasingly clear that more competition is a better regulator than the government itself.

I know some of the agencies are moving in this same direction with respect to deregulation of certain aspects such as in the case of the CAB. This experiment in one or more agencies borne of more recent vintage, I think can produce substantial results and I would strongly urge every commission to undertake an analysis to see if you can't do something in this area.

It is my judgment that in every case you have to ask yourself, individually as commissioners and as a commission, is regulation better in each case than an unregulated market?

And, finally, I will continue to meet with the 24 designated Members of the House and Senate, both Democratic as well as Republican, to review with them the progress and the areas where we think action can be taken, must be taken. And I am asking the members of my Administration to work closely with each of you and each of your commissions as well, as to respond for the Executive Branch in their areas of jurisdiction.

It is my judgment that with the cooperation of the Congress, and I am sure it will be there, the cooperation of each of you and your respective agencies, and with the full

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participation of the Executive Branch, we can make some very substantial headway and we will all be applauded, in my judgment, by the American people and we will have a healthier and a far more efficient economy.

I thank you very, very much.

(Applause)

(end)

REQUESTED

INFORMATION

THE WHITE HOUSE

WASHINGTON

October 30, 1975

File

MEMORANDUM FOR: JIM CANNON

FROM: PAUL LEACH PWL

SUBJECT: Regulatory Reform

The attached materials will provide you with a clear and concise picture of the objectives of the regulatory reform program. In particular, Tab A provides several quotations from Presidential speeches (p. 1) and then provides a statement of objectives (pp. 2-3) and a list of Administration actions and initiatives to date (pp. 3-5).

The four principal speeches by the President which discuss the subject of regulatory reform are:

Hardware Convention	Tab B
Meeting with Commissioners	Tab C
Chamber of Commerce	Tab D
Address to Congress	Tab E

In addition to legislation already submitted and supported by the President, our major current targets of economic regulation reform opportunity are trucking regulation reform (1st priority), cable TV and other communications, insurance and Robinson-Patman Act reform. Furthermore, the Review Group is encouraging and monitoring the reform efforts of the Independent Agencies and Executive Departments and Agencies. On a tentative basis, we have also been exploring other areas (e.g., maritime) where reform might be appropriate (once the initial priority efforts are well along).

Attachments (5)

A

1

ISSUE: Regulatory Reform

Administration Position

In the past year, President Ford has outlined his regulatory reform program in more than twenty speeches, messages, and conferences. The President has said:

"We must reassess, as I see it, the archaic, and often times very rigid, regulations which hamper the economy of the United States and directly affect the American consumer. . .Meaningful reform of our present regulatory system must be part of the current effort to respond to the consumer."

White House Conference on
Domestic and Economic Affairs
in Concord, New Hampshire
April 18, 1975

"Let me emphasize, however, that we do not seek to eliminate all regulations. Many are costly, but they are essential to preserve public health and public safety. But, we must know their cost and measure those costs against the good that the regulations seek to accomplish."

Chamber of Commerce Annual Meeting
in Washington, D.C. April 28, 1975

"We will establish as national policy this basic fact of economic life, that Government regulation is not an effective substitute for vigorous American competition in the marketplace."

American Hardware Manufacturer's
Association Meeting in Chicago
August 25, 1975

"Agencies engaged in regulatory activities can expect that the Antitrust Division of the Department of Justice will continue to argue for competition and lower consumer prices as a participant in your agency's proceedings. Furthermore, the Attorney General will continue to insure vigorous antitrust prosecution to remove private sector barriers to competition".

White House Meeting with the
Independent Regulatory Commissioners
July 10, 1975

FACT SHEET

REGULATORY REFORM

> "We will establish as a national policy this basic fact of economic life, that Government regulation is not an effective substitute for vigorous American competition in the market place."
>
> President Gerald R. Ford
> August 25, 1975

President Ford has adopted as a principal goal of his Administration the reform of Government regulation. He has ordered a critical review of all Federal regulatory activities. The purpose of the review is to eliminate regulations that have become obsolete and inefficient in today's economic environment--ones that are contributing to higher prices, reduced efficiency, less consumer choice, and fewer imaginative ideas. The goal of the program is the development of a rational and efficient regulatory system serving today's needs.

The need for reform has been recognized by Presidents Truman, Eisenhower, Kennedy, Johnson and Ford. However, changing economic conditions have increased public awareness of the need for reform. The opportunity for change is greater than ever before. Therefore, the Administration has initiated a comprehensive program of legislative and administrative action.

PRINCIPAL OBJECTIVES OF THE PROGRAM

1. To benefit consumers by encouraging increased competition. Competition fosters innovation, encourages new business, creates new jobs, ensures a variety of goods and services and helps to keep prices at reasonable levels. By eliminating arbitrary barriers to entry and increasing pricing flexibility, the Administration hopes to gradually restore competition in the regulated sectors of the economy.

2. To increase understanding of the costs of regulation. Often the real costs of regulatory activities are more hidden from public view. Inefficient and outdated regulations cost consumers billions of dollars every year in unnecessarily high prices. The Administration believes that these costs should be subject to the same critical attention devoted to Federal expenditures.

3. To improve methods of achieving the objectives of regulation. In many instances, regulation is necessary. However, such regulation, particularly in the health and safety areas, can impose a considerable cost burden on the consuming public and on business. The Administration is concerned that public protection be achieved in the most efficient manner.

4. To substitute increased antitrust enforcement for administrative regulation. In the past, regulation has often been a substitute for competition. The Administration is seeking to reverse this pattern and believes that antitrust enforcement has an important role in driving costs and prices down to their minimum.

THE ADMINISTRATION'S PROGRAM

Steps are being taken both administratively and through legislation to bring about needed change in our regulatory system. Last October, the President asked Congress to jointly sponsor a National Commission on Regulatory Reform to study the problems of Government regulation; so far, no action has been taken by Congress. Accordingly, the Administration is pursuing specific reform initiatives:

- Inflation Impact Analysis. Departments and Agencies are now required to analyze the inflationary impact of major legislative proposals, rules and regulations. This requirement is designed to measure the economic cost of Government regulations.

- Council on Wage and Price Stability. One of President Ford's first official actions was the creation of the Council to monitor the economy and to evaluate the economic impact of Government policies and regulations. Now, in its second year, the Council is placing increased emphasis on the identification of regulatory practices which create unnecessary cost burdens for consumers.

- Expanded Antitrust Activity. In addition to providing for increased antitrust enforcement resources, the Administration is questioning antitrust immunity now granted to numerous industries. Many of the Administration's legislative proposals will eliminate antitrust exemptions which are unnecessary and restrain competition.

- Independent Regulatory Commissions. The President has met with the Commissioners of the 10 Independent Regulatory Agencies to emphasize the importance of regulatory reform. He asked the Commissioners to: analyze the economic costs and benefits of their actions; reduce regulatory delays; better represent consumer interests; and eliminate outdated regulation.

- Commission on Federal Paperwork. The Commission was established to study the impact of government reporting requirements on businesses and individuals. To assure action in the short-run, the Administration is working now to eliminate unnecessary paperwork requirements over which it has control.

- Transportation Regulatory Reform. The Administration has developed a specific legislative agenda to reform transportation economic regulation.

  - The Railroad Revitalization Act submitted in May seeks to rebuild a healthy, progressive rail system by eliminating outdated regulatory restrictions thus enabling the railroads to better compete with other forms of transportation.

  - The Aviation Act of 1975 was introduced in October and will improve the regulatory environment of the airlines by fostering price competition and by allowing existing airlines to serve new markets and new carriers to enter the industry.

  - Reform of trucking regulation will soon be proposed.

- Fair Trade Laws. The Administration strongly supports the repeal of Federal legislation which permits States to have fair trade laws. These laws, which allow manufacturers to dictate the retail price for their products, have been estimated to cost consumers $2 billion per year.

- <u>Financial Institutions Act</u>. The Administration submitted in March the Financial Institutions Act which will enable small savers to earn higher interest on their savings accounts and provide more diversified financial services to all customers.

- <u>Securities</u>. President Ford signed the Securities Act Amendments of 1975 in June to promote competition among stockbrokers and to establish a national stock market system.

- <u>Energy</u>. To help assure adequate supplies of energy, the Administration has proposed legislation to deregulate the price of new natural gas and old oil.

B

OFFICE OF THE WHITE HOUSE PRESS SECRETARY
(Chicago, Illinois)

B

THE WHITE HOUSE

SEE PAGES 4, 5, 6

REMARKS OF THE PRESIDENT
TO THE
AMERICAN HARDWARE
MANUFACTURER'S ASSOCIATION

McCORMICK PLACE

9:37 A.M. CDT

Cardinal Cody, Mr. Spencer, distinguished guests, ladies and gentlemen:

It is a very special pleasure and privilege for me to be here this morning and to pay tribute to the American hardware industry and to kick off Hardware Week in the City of Chicago.

Yours is an industry that has taken American ingenuity and coupled it with some of the most effective merchandising techniques known to mortal man.

That may seem like some exaggeration, but a hardware store is the only business I know of where you can go to buy a 10 cent carriage bolt and come out with a can of paint, a new, improved screwdriver, 50 pounds of charcoal brickets, a bicycle repair kit, ten minutes of free advice, 12 picture hooks, six fuses and a lawnmower, and then have to go back because you forgot the 10 cent carriage bolt you went to buy there in the first place. (Laughter)

I have been a typical homeowner most of my life, and my wife Betty knows it. She says that sending me to a hardware store is the nearest thing she knows to playing chicken with our life savings. (Laughter)

Nevertheless, on behalf of all of us "do-it-yourselfers," let me thank all of you here for making possible the wonder of wonders -- the neighborhood hardware imporium, more affectionately known as the world's only candy store for grown-ups. (Laughter)

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In your business, you constantly seek out those new ideas that are so important to a great country, and so do we in this country. In fact, no nation or society in history has done more to encourage invention, innovation and initiative.

The explosion of American ideas began 200 year ago with our Declaration of Independence. A century ago a tide of industrial progress started to sweep over America, sewing machines revolutionized the clothing industry. Electricity made life brighter and more prosperous. Automobileassembly lines put us on wheels. The telegraph and telephone -- later movies, radio and television -- linked the people of this vast Nation closer and closer together.

In our generation, America has split the atom and conquered space. Americans never shirked from challenge. Courage, originality, opportunity and optimism are national traits.

This has been the spirit of America for the past two centuries -- a spirit of ideas and individuality. It was and is the spirit of private enterprise -- churning ahead in a free, competitive system fueled by private savings and investment. We need to recall these basic facts about America, about ourselves as a people and about our way of life.

No nation has invested more than we have in humanity and science. No nation has taken greater risks or experimented as much for progress. As a result, no nation has earned such rewards as the United States.

Today America is again called upon to invest, to risk, to experiment in the name of progress. But unfortunately, we have reached a watershed. A decision must be made. The question, put simply, is precisely this: how do we finance both the investment needed for economic growth and essential programs needed to solve our human problems?

Today we are faced with a problem of creating new jobs in numbers greater than ever before in America. Although unemployment is far too high, nevertheless we should not forget that 85 millions in this great country are at work and that is about 1.2 million more than just last March.

By 1980, we must create another 14 million jobs to meet the needs of our expanding population. This is our objective, and it will require substantial economic progress.

As always, economic progress depends on our ability as a Nation to foster capital investment and increase the productivity of our workers. The share of our gross national product committed to the private sector investment must increase significantly over the next few years if we are to reach our economic potential. Some, for example, estimate that total investment requirements could reach as high as $4 trillion.

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However, as our need for capital grows, the abilities of industry to generate necessary funds is declining. This is essentially because inflation has eroded corporate balance sheets and because our national tax laws fail to stimulate such investment.

In short, our financial ability to increase production is declining. This decline is curtailing needed growth in jobs and income and undermining our ability to compete internationally.

I am very confident once this becomes clear to the American people they will understand America's need for tax policies that will help to channel sufficient resources into the expansion of productive capacity.

At today's level of economic activity, no shortage of industrial facilities exist, but our Nation's economic machine is not now running at top speed. In the future, we have every reason to expect it will, but we must now not permit bottlenecks and shortages to reappear as the economy gains momentum.

We must not condemn our fellow citizens to unemployment because the modern tools needed to compete in world markets are lacking.

Capital, as all of you know, is vital to all segments of our economy to expand agricultural production, to develop domestic resources of energy and raw material, reducing our dependence on oil imports and to preserve and to improve our economy.

This Administration has proposed reforms to the Congress to stimulate through what some call capital formation through tax incentives, but I prefer to use the term "job creation" because that is what the proposals would do as a practical matter.

If adopted, they would provide the funds to expand America's industry capability to create jobs, for one thing, by reducing the double taxation on dividends.

As expected, these proposals have raised an outcry from some Members of Congress who oppose them and, as a person who was in the Congress for a number of years, I understand these voices.

The Congress, in this case, as in others, has come up with no alternatives. We have got to push them to action here, as well as elsewhere. America cannot put its faith in wishing wells. We must do something about expanding our sources of capital to create jobs, and we must do it right now.

MORE

I ask the Congress to join with me in this commitment to our Nation's future, to increase jobs, income and full economic recovery.

Let us expand the size of our economic pie rather than simply redistributing the pieces of a much smaller piece of pie.

By itself, however, additional capital cannot revitalize the American economy and our free market system. We must also take steps to help restore the vitality of the marketplace and effective competition is the way to do it.

Too often in the past our Government has stifled that competition in the name of economic regulation to the detriment of the consumer. For that reason, my Administration -- with strong support of the Congress in this instance -- is seeking fundamental reform of economic regulation in the United States.

The problem is simply this: In many industries, transportation, energy, communication, as well as others, Federal regulatory commissions have actually thwarted competition. The bureaucratic monopolies have tackled business and conflicting policies and red tape far, far too long.

The record is clear. They have burdened the consumer with the cost of misdirected regulation.

Although I am greatly encouraged by widespread backing for regulatory reform, I also recognize we still have a long, long way to go to achieve it. With the continued support, which is very evident, with the support of you, as well as your industry, we will reverse the trend of the last few decades.

We will establish as national policy this basic fact of economic life, that Government regulation is not an effective substitute for vigorous American competition in the marketplace.

Having said this, let me add that some -- and let me qualify it by saying some -- regulations are necessary and appropriate; for instance, involving health, safety and the environment.

But the reforms that we seek would eliminate the impractical, the unnecessary and the obsolete. As part of this effort to insure that we have a strong economic system, we must maintain an anti-trust policy which validates our commitment to competitive markets.

MORE

If we reduce Government regulation of business, we must make certain and positive that our anti-trust laws are vigorously enforced.

Competition, when freed of Government regulation and supported by anti-trust laws, is the driving force of our economy. It will drive costs down to their minimum and assure prices based on these legitimate costs.

Yet, such steps cover only a part of the overall problem. It is much more difficult to deal with areas that anti-trust laws do not touch, these other regulated and legal monopolies and the Government sanctioned cartels.

For instance, various industry rate bureaus and self-regulatory agencies -- transportation rate bureaus, shipping conferences, stock exchanges and professional associations -- now seem to operate in a congenial cost-plus environment.

This is simply because Government once decided they need not, or cannot, compete.

They are allowed to fix prices and divide markets under the regulatory cloak, free from anti-trust enforcement.

An essential element of regulatory reform legislation I have already sent or will send to Congress will eliminate most of these anticompetitive practices. The remainder of these practices, now immunized from anti-trust laws, are undergoing intense review in the Executive Branch of the Government.

In short, this Administration will look at the whole range of Government sanctioned monopoly -- from the small franchises protected by Federal regulations, which rule out competition, all the way to Government-endorsed cartels involving entire industries.

We must recognize this: Over the years Government has done as much to create and perpetuate monopoly as it has done to control or eliminate it. As a result, this Nation has become accustomed to certain forms of monopoly. Some are regarded as beneficial, some not.

If an industry combines to raise prices, it violates our anti-trust laws, but no laws are violated if an industry can get the Federal Government to build trade barriers, to increase support prices for the goods or services that it produces, or to police against potential competitors or pricecutters.

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It is sad but true -- too often the Government walks with the industry along the road to monopoly.

The end result of such special treatment provides special benefits for a few, but powerful, groups in the economy at the expense of the taxpayer and the consumer.

Let me emphasize this is not -- and never will be -- and Administration of special interests. This is an Administration of public interest, and always will be just that.

Therefore, we will not permit the continuation of monopoly privilege, which is not in the public interest. It is my job and your job to open the American marketplace to all comers.

Ultimately, the vital reforms will be viewed -- as they should be -- as a pocketbook issue. Government regulation and restrictions now cost consumers billions and billions of dollars each year. We must be concerned about the cost of monopoly however it is imposed and for what reasons.

We must be sure that regulatory reform and anti-trust actions go hand in hand with incentives to spark capital investment to create new jobs and new competition. This is what I firmly believe is needed to revive the American economic dream.

Before I close, let me share one thought with you. It concerns a subject that affects the lives and the pocketbooks of every American -- the runaway growth of the Federal Government itself.

One of the goals I have set for myself as President is to cut big Government down to size -- and we can do it this way -- to make it more manageable, more responsive, more efficient and less costly. I want to put an end to the mountain of paperwork and the quicksand of regulation which big Government makes every businessman cope with.

Do you have any idea how many different Federal forms Washington sends out and asks you to fill out? Would you believe it is over 5,000 -- 5,000 Federal forms to keep Washington at work and businessmen from their work.

Believe me -- and obviously you agree -- this is not the way this great Nation was built over a 200-year span. I can vividly recall how my father started a small family factory back in, of all years, 1929. In those dire economic circumstances, everybody pitched in.

My speciality -- and it didn't require much skill -- was mixing the paint and labeling cans. But, my father was always out there selling the merchandise and doing what makes sense for the business, not what makes sense for the bureaucrats.

The Ford Paint and Varnish Company survived the depression. And I have wondered if it would have if my father had had to fill out all of today's forms and applications and those thousands and thousands of questionaires, and at the same time, cope with a patchwork of rules and regulations which face today's businessmen.

My objective is to get the Federal Government as far out of your business, out of your lives, out of your pocketbooks and out of your hair as I possibly can.

To this end, within three weeks after I came into the Office of the Presidency last August, I directed the heads of all Federal Government, departments and agencies to reduce the personnel for whom they had requested funds for the remainder of the fiscal year by 40,000.

Actually, I can report to you today that their performance exceeded my directive. We ended fiscal year 1975 on June 30 of this year with a reduction or a cutback of 52,000 Federal employees under the planned levels of a year ago.

As far as those 5,000 Government forms, I can tell you this: several months ago I directed Jim Lynn, the Director of the Office of Management and Budget, to examine, to analyze, to evaluate and then throw out as many of these timewasters as he possibly can. And I am going to personally monitor it.

To put it very simply, I want to see the American businessman pushing merchandise, not pencils.

You don't need a lot of bureaucrats looking over your shoulder and telling you how to run your life or how to run your business. We are a people who declared our independence 200 years ago, and we are not about to lose it now to paper shufflers and computers.

Let's take the shackles off American businessmen. That is the only kind of hardware I don't approve of.

Thank you very much.

END (AT 10:02 A.M. CDT)

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FOR IMMEDIATE RELEASE APRIL 28, 1975

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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

SEE PAGES 4-10

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
TO THE
63RD ANNUAL MEETING OF THE
CHAMBER OF COMMERCE OF THE UNITED STATES

CONSTITUTION HALL

10:25 A.M. EDT

Chairman Smith, President Booth, members and guests of the United States Chamber of Commerce:

It is like a spring tonic to appear before a meeting of the Chamber of Commerce, and I thank you most generously for your warm welcome. Individually, as well as collectively, you have always presented such an upbeat, positive approach to America that it really feels good to be with you this morning.

Believe me, we need that kind of vitality, that zest for problem solving, and that absence of cynicism that so typifies your membership. Let me also congratulate you on the relevance of your theme for this meeting: America's Future -- Our Critical Choices.

As leaders of business, industry, Government, we join together to explore the future, so that we may seize the opportunities and be better able to cope with the problems that we face in common. The mutuality of our problems was never more clearly stated than when I was introduced at a business conference quite recently.

The moderator said, "The greatness of America is that anyone can grow up to be president of an auto company, president of an airline, president of a utility, or President of the United States." Then he took a long pause and added, "That is just one of the chances you have to take." (Laughter)

Speaking of Presidents, I would like you to join with me in a salute to someone we are all fond of and proud of, someone who has been a driving force in the Chamber. Arch Booth is leaving as Chamber President to begin some new adventures.

MORE (OVER)

In his 32 years with the Chamber, he has helped to build this organization into a dynamic force for good in America, a force that is adaptable, responsive and innovative.

As long as I have been in Washington -- which is more than a generation -- Arch, you have been a force for progress in the White House and on Capitol Hill. We will miss you, and all of us wish you the very, very best.

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It is appropriate at this 63rd meeting that my appearance here this morning follows a slide show sketching the critical choices of the future of our country. That presentation hits many of the points that I have been discussing around the country for the past few months.

These critical choices must be made, and they must be made just as quickly as the Congress and this Administration can work out effective solutions.

One of the most serious problems facing us, of course, is the runaway spending of the Federal Government. It poses a genuine threat to our way of life. I have called upon the Congress to hold the deficit line this year at what I consider the alarming figure of some $60 billion.

I am pleased that both Houses of the Congress appear ready to use their newly instituted budget reform procedures to impose ceilings on total spending for the next fiscal year.

Even though I strongly feel the ceilings proposed by the Congressional Budget Committees are too high, I am glad that some in the Congress are demonstrating more concern about overall spending than has been the case in the past.

While the spending problems we face are enormous and very, very serious, I agree with the Chamber that there is far more right with America than what is wrong with our great country.

I most certainly agree with your President that we have taken for granted the things that are right with America so long that we must remind ourselves as to what is right with America. An outstanding example is the fact that under our free enterprise system we consistently produce higher quality, safer and more reliable goods than any economy which operates under rigid government controls.

Planned economies simply do not achieve the quality or the low price of goods which are the fruits of an open and competitive system. Buyers overwhelmingly prefer products of the free enterprise system. Where business competes for the buyer's dollar, the result is better products.

We tend to overlook, also, that the survival of the American business is directly dependent on its ability to provide the largest number of consumers with goods of high quality, utility, and safety at attractive prices.

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The self-interest of American business demands that it please customers while there is no such automatic mechanism of consumer protection in controlled economies.

We are a dynamic society with a dynamic economy. But this requires that we, as people, insure that our Governmental institutions are responsive to changing conditions. Let me discuss with you, on this occasion, one function performed by government -- yes, even ours -- which requires our attention and is in need of reform, and that is regulation.

In discussing regulation, let me say we should be prepared to listen carefully to the case of those who might be injured by de-regulation, or changes in regulation. But we must make our decision in terms of what benefits all of us.

I have confidence that our system can make the changes that are required to meet the challenges of our dynamic society.

It may be useful at this point to distinguish between the two broad kinds of Government regulation. First, there are regulations designed to deal with the competitive performance of such industries as railroads, trucking, arlines, utilities, and banking. This type of regulation controls rates, the right to serve specific markets, and competitive practices.

One of the most impressive outcomes of the September Summit Conference on Inflation was the nearly unanimous agreement among all participants of all persuasions that there are tremendous efficiency losses, reductions in productivity and unnecessary costs to the economy from some aspects of this kind of regulation.

Almost without exception, the conferees recommended reform or elimination of obsolete and unnecessary regulations. It is important to recognize that these obsolete and unnecessary regulations are not the result of perversity on the part of some regulatory body or Government official. Rather, they result from the fact that the regulatory process is inherently static.

Regulations do not automatically expire when they have outlived their usefulness. There is no systematic pattern of review and even when it is acknowledged that changes are warranted, procedural delays often result in obsolete rules remaining in force for years.

In short, while the intention of regulation is to protect consumers, it sometimes does just the opposite.

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In many cases, the reduction or elimination of existing regulations would result in lower prices for the consumer and open new opportunitites for business.

In other industries, where there is inadequate competition, regulation should continue, but it is the job of Government to insure that such necessary regulation is administered efficiently and fairly.

A second type of regulation is concern with social issues such as occupational safety, consumer product safety, and of course, the environment. This kind of regulation is generally of more recent origin but it is becoming more critical every day.

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The central issue here is the need for a proper assessment, or evaulation, of costs and benefits. The question is not whether we want to do something about noise or safety, but whether in making changes in our regulations they would make more sense in terms of costs added and benefits gained.

When I talk about costs, I am not just talking about cold figures in a bookkeeping ledger. I am talking about what you pay in the marketplace, in the supermarket, in the clothing store, in the ladies boutique. Ultimately, all such costs are paid by you, the producers, and your wives, the consumers.

All too often the Federal Government promulgates new rules and regulations which raise costs and consumer prices at the same time. To achieve small, or somewhat limited social benefits, in these cases we must either revise proposed rules and regulations to lower their cost, or we must not adopt them in the first place.

Moreover, we must examine the whole ranges of existing rules and regulations to determine whether modifications could lower costs without significantly sacrificing their objectives.

Let me emphasize, however, that we do not seek to eliminate all regulations. Many are costly, but they are essential to preserve public health and public safety. But, we must know their cost and measure those costs against the good that the regulations seek to accomplish.

A major problem is that these costs are often hidden from the public generally. While we are all accustomed to an open debate on the Government's budget, far too little attention has been focused on the ways in which Government regulations levy a hidden tax on the American people.

In the nearly 90 years since we created the first Federal regulatory commission, we have built a system of regulations which abound with contradictions and excesses, all to the detriment of the public.

There are sound estimates that Government regulations have added billions of unnecessary dollars to business and consumer costs every year. To reverse this trend of growing regulation, my Administration is working hard to identify and to eliminate those regulations which now cost the American people more than they provide in benefits.

MORE

I feel strongly, just as the Chamber does, that we must keep and improve those regulations which work, but we have an obligation to discard those that do not.

Let me review with you for a moment some of the steps we are taking to make sure that we concentrate not on rhetoric, but on results.

First, I have asked all offices within the Executive Branch to evaluate the inflationary impact of significant legislation, rules and regulations which we propose.

Let me say that I am delighted that the House of Representatives has also adopted changes in its rules to require the measurement of the cost of legislation before it is adopted.

Most people would agree that some regulation is needed, but only when we know the cost of proposed Government actions can we rationally determine how much regulation we are willing to pay for.

For example, is it worth as much as $30 billion a year of the consumer dollar to reduce the level of occupational noise exposure by approximately five decibels? Have air bags been proven sufficiently cost-effective for us to require their installation in all cars at between $100 and $300 each?

Earlier this year, I sent to the Congress a comprehensive program to seek energy sufficiency for our Nation. Among the highest priorities of this effort is my proposal to remove, as quickly as possible, the Federal price controls on new natural gas sold in interstate markets.

At present, the artificially low price of natural gas marketed interstate has curtailed exploration and development and forced users shut out by present shortages toward either curtailment of their operations or greater dependence on oil.

Inevitably, inaction this year by the Congress will result in plant shutdowns and job layoffs. We cannot afford that bad result.

We have already submitted a Financial Institutions Act, which should phase out some of the most anti-competitive Federal regulations governing banks and thrift institutions. The American people will benefit if all financial institutions are able to offer a wider variety of lending services and pay more competitive interest rates to savers.

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In the coming weeks, I will send to the Congress a comprehensive transportation program designed to achieve maximum reform of Federal regulations governing our railroads, airlines and trucking firms.

The first of these bills will permit railroads to begin to adjust their rates within specified limits without ICC interference. The legislation will improve procedures for mergers and for abandonments.

The increased competition brought about by this legislation will lower costs for consumers and save approximately 70,000 barrels of oil each day. Legislation proposing corresponding reform measures for trucking and airline regulation will follow shortly.

Another element of our program is pending legislation in the Congress, which would end the so-called fair trade law. Federal law today now permits States to allow manufacturers to dictate the price of their product and drives up the cost on such items as books, cosmetics, shoes and hardware.

These depression-era laws, which cost consumers an estimated $2 billion a year, should be laid to rest, along with the NRA Blue Eagle of the same period.

In addition, I will propose changes in other laws which restrain competition and deny buyers substantial savings. The Robinson-Patman Act is a leading example of such laws. It discourages both large and small firms from cutting prices, and it also makes it harder for them to expand into new markets and to pass on to customers the cost savings on large orders.

Finally, there are a larger number of related actions, which will improve our understanding of Government regulations and facilitate future changes. The problem of Government-imposed reporting requirements has become so acute that your Government has had to create a Commission on Federal Paperwork.

Yes, that is right. There is a committee, a board, an agency or a commission in Washington for just about everything, including trying to cut down the onerous filling out of Federal forms, which last June numbered exactly 5,146 separate types. That's many, too many.

The commission will represent the Administration, the Congress, and the public, and I intend to see that its very wide powers are used effectively to cut down the unnecessary burden on our American free enterprise system.

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I will be convening very shortly an unprecedented meeting of all of the Commissioners of the ten major independent regulatory agencies. Joining them will be key Members of the Congress and the Administration.

Together, we will discuss the imperative need to foster greater competition in the public interest and the equal imperative need to consider the inflationary effects of all proposed new regulations.

Let me reaffirm to you today my deep personal conviction that the best way to begin in our efforts is to improve the Government we have, not to enlarge it.

I do not believe a bigger Government is necessarily a better Government.

May I add this: Please never forget, a Government big enough to give us everything we want is a Government big enough to take from us everything we have.

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I have ordered action by the Executive departments and agencies to make major improvements in the quality of service to the consumer, and I have asked the Congress to postpone action on legislation which would create a new Federal agency for consumer advocacy.

I do not believe that we need yet another Federal bureaucracy in Washington with its attendant cost of about $60 million over the next three years, and hundreds of additional Federal employees.

At a time when we are trying to cut down both the size and the cost of Government, it would be unsound to add still another layer of bureaucracy. Instead, the program I have outlined represents the first steps toward improving Government's ability to serve all of its citizens.

Let me add I need your help in so many ways. I need your views, your ideas, and yes, your suggestions; for in that way, we can bring the full weight of the business community to bear on solving the mutual problems that we face.

I urge you to bring to my attention those Government practices which you feel unnecessarily add to cost and interfere with the effective working of our free enterprise system.

You will be doing your country and your fellow businessmen a service as well as yourself.

We have a unique opportunity right now to make some long overdue changes in a system of regulation which has not kept pace with the times. The critical choices remain to be made. But I am confident that America has the capability and the desire to respond to thhese challenges. These fundamental reforms are vital to our economic recovery and our long-range stability.

I commend the Chamber for the advertisements entitled, "What's Right With America."

Of the 12 items listed in the ad, I particularly like number six, which says, "We have a willingness to experiment with different forms of social, economic and political organization -- keeping what works and discarding what doesn't."

That sums up very well what I have said to you here today. So, let us work together in this effort which will benefit all Americans.

Thank you very much.

END (10:55 A.M. EDT)

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FOR IMMEDIATE RELEASE OCTOBER 8, 1974

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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

SEE PAGES 5-7 10

ADDRESS OF THE PRESIDENT
TO THE
JOINT SESSION OF CONGRESS

THE HOUSE CHAMBER

4:02 P.M. EDT

Mr. Speaker, Mr. President, distinguished guests, my very dear friends:

In his first inaugural address, President Franklin Roosevelt said, and I quote: "The people of the United States have not failed...They want direct, vigorous action, and they have asked for discipline and direction under our leadership."

Today, though our economic difficulties do not approach the emergency of 1933, the message from the American people is exactly the same. I trust that you are getting the very same message that I am receiving: Our constituents want leadership, our constituents want action.

All of us have heard much talk on this very floor about Congress recovering its rightful share of national leadership. I now intend to offer you that chance.

The 73rd Congress responded to FDR's appeal in five days. I am deeply grateful for the cooperation of the 93rd Congress and the Conference on Inflation, which ended ten days ago.

Mr. Speaker, many -- but not all -- of your recommendations on behalf of your party's Caucus are reflected in some of my proposals here today. The distinguished Majority Leader of the Senate offered a nine-point program.

I seriously studied all of them and adopted some of his suggestions.

I might add, I have also listened very hard to many of our former colleagues in both bodies and of both the majority and the minority, and have been both persuaded and dissuaded. But in the end I had to make the decision, I had to decide, as each of you do, when the rollcall is called.

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(OVER)

I will not take your time today with the discussion of the origins of inflation and its bad effect on the United States, but I do know where we want to be in 1976 on the 200th birthday of a United States of America that has not lost its way, nor its will, nor its sense of national purpose.

During the meetings on inflation, I listened carefully to many valuable suggestions. Since the summit, I have evaluated literally hundreds of ideas, day and night.

My conclusions are very simply stated. There is only one point on which all advisers have agreed: We must whip inflation right now.

None of the remedies proposed, great or small, compulsory or voluntary, stands a chance unless they are combined in a considered package, in a concerted effort, in a grand design.

I have reviewed the past and the present efforts of our Federal Government to help the economy. They are simply not good enough, nor sufficiently broad, nor do they pack the punch that will turn America's economy on.

A stable American economy cannot be sustained if the world's economy is in chaos. International cooperation is absolutely essential and vital, but while we seek agreements with other nations, let us put our own economic house in order.

Today, I have identified ten areas for our joint action, the Executive and the Legislative Branches of our Government.

Number One: Food.

America is the world's champion producer of food. Food prices and petroleum prices in the United States are primary inflationary factors.

America today partially depends on foreign sources for petroleum, but we can grow more than enough food for ourselves.

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To halt higher food prices, we must produce more food, and I call upon every farmer to produce the full capacity. And I say to you and to the farmers, they have done a magnificent job in the past, and we should be eternally grateful.

This Government, however, will do all in its power to assure him, that farmer, he can sell his entire yield at reasonable prices. Accordingly, I ask the Congress to remove all remaining acreage limitations on rice, peanuts, and cotton.

I also assure America's farmer here and now that I will allocate all the fuel and ask authority to allocate all the fertilizer they need to do this essential job.

Agricultural marketing orders and other Federal regulations are being reviewed to eliminate or modify those responsible for inflated prices.

I have directed our new Council on Wage and Price Stability to find and to expose all restrictive practices, public or private, which raise food prices. The Administration will also monitor food production, margins, pricing, and exports.

We can and we shall have an adequate supply at home, and through cooperation, meet the needs of our trading partners abroad.

Over this past weekend we initiated a voluntary program to monitor grain exports. The Economic Policy Board will be responsible for determining the policy under this program.

In addition, in order to better allocate our supplies for export, I ask that a provision be added to Public Law 480 under which we ship food to the needy and friendly countries. The President needs authority to waive certain of the restrictions on shipments based on national interest or humanitarian grounds

Number Two: Energy.

America's future depends heavily on oil, gas, coal, electricity, and other resources called energy. Make no mistake, we do have a real energy problem.

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One-third of our oil -- 17 percent of America's total energy -- now comes from foreign sources that we cannot control, at high cartel prices costing you and me $16 billion -- $16 billion more than just a year ago.

A primary solution has to be at home. If you have forgotten the shortages of last winter, most Americans have not.

I have ordered today the reorganization of our national energy effort in the creation of a National Energy Board. It will be chaired with developing, or I should say charged with developing a single national energy policy and program. And I think most of you will be glad to know that our former colleague, Rog Morton, our Secretary of Interior, will be the overall boss of our national energy program.

Rog Morton's marching orders are to reduce imports of foreign oil by one million barrels per day by the end of 1975, whether by savings here at home, or by increasing our own sources.

Secretary Morton, along with his other responsibility, is also charged with increasing our domestic energy supply by promptly utilizing our coal resources and expanding recovery of domestic oil still in the grounds in old wells.

New legislation will be sought after your recess to require use of cleaner coal processes and nuclear fuel in new electric plants and the quick conversion of existing oil plants.

I propose that we, together, set a target date of 1980 for eliminating oil-fired plants from the Nation's base-loaded electrical capacity.

I will use the Defense Production Act to allocate scarce materials for energy development, and I will ask you, the House and Senate, for whatever amendments prove necessary.

I will meet with top management of the automobile industry to assure, either by agreement or by law, a firm program aimed at achieving a 40 percent increase in gasoline mileage within a four-year development deadline.

MORE

Priority legislation -- action, I should say -- to increase energy supply here at home requires the following:

One, long-sought deregulation of natural gas supplies.

Number two, responsible use of our Naval petroleum reserves in California and Alaska.

Number three, amendments to the Clean Air Act, and

Four, passage of surface mining legislation to insure an adequate supply with common-sense environmental protection.

Now, if all of these steps fail to meet our current energy saving goals, I will not hestitate to ask for tougher measures. For the long range, we must work harder on coal gasification. We must push with renewed vigor and talent research in the use of nonfossil fuels. The power of the atom, the heat of the sun and the steam stored deep in the earth, the force of the winds and water, must be main sources of energy for our grandchildren, and we can do it.

Number Three: Restrictive Practices.

To increase productivity and contain prices, we must end restrictive and costly practices, whether instituted by Government, industry, labor or others. And I am determined to return to the vigorous enforcement of antitrust laws.

The Administration will zero in on more effective enforcement of laws against price fixing and bid rigging. For instance, non-competitive professional fee schedules and real estate settlement fees must be eliminated. Such violations will be prosecuted by the Department of Justice to the full extent of the law.

Now I ask Congress for prompt authority to increase maximum penalties for antitrust violations from $50,000 to $1 million for corporations, and from $50,000 to $100,000 for individual violators.

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At the Conference on Inflation, we found, I would say, very broad agreement that the Federal Government imposes too many hidden and too many inflationary costs on our economy. As a result, I propose a four-point program aimed at a substantial purging process.

Number one, I have ordered the Council on Wage and Price Stability to be the watchdog over inflationary costs of all Governmental actions.

Two, I ask the Congress to establish a National Commission on Regulatory Reform to undertake a long overdue total re-examination of the independent regulatory agencies. It will be a joint effort by the Congress, the Executive Branch and the private sector to identify and eliminate existing Federal rules and regulations that increase costs to the consumer without any good reason in today's economic climate.

Three, hereafter, I will require that all major legislative pro osals, regulations and rules emanating from the Executive Branch of the Government will include an Inflation Impact Statement that certifies we have carefully weighed the effect on the Nation. I respectfully request that the Congress require a similar advance Inflation Impact Statement for its own legislative initiatives.

Finally, I urge State and local units of government to undertake similar programs to reduce inflationary effects of their regulatory activities.

At this point I thank the Congress for recently revitalizing the National Commission on Productivity and Work Quality. It will initially concentrate on problems of productivity in Government -- Federal, State and local.

Outside of Government, it will develop meaningful blueprints for labor-management cooperation at the plant level. It should look particularly at the construction and the health service industries.

The Council on Wage and Price Stability will, of course, monitor wage and price increases in the private sector. Monitoring will include public hearings to justify either price or wage increases. I emphasize, in fact re-emphasize, that this is not a compulsory wage and price control agency.

Now, I know many Americans see Federal controls as the answer, but I believe from past experience controls show us that they never really stop inflation, not the last time, not even during and immediately after World War II, when, as I recall, prices rose despite severe andenforceable wartime rationing.

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Now, peacetime controls actually, we know from recent experience, create shortages, hamper production, stifle growth and limit jobs. I do not ask for such powers, however politically tempting, as such a program could cause the fixer and the black marketeer to flourish, while decent citizens face empty shelves and stand in long waiting lines.

Number Four: We Need More Capital.

We cannot "eat up our seed corn." Our free enterprise system depends on orderly capital markets through which the savings of our people become productively used. Today, our capital markets are in total disarray. We must restore their vitality. Prudent monetary restraint is essential.

You and the American people should know, however, I have personally been assured by the Chairman of the Independent Federal Reserve Board, that the supply of money and credit will expand sufficiently to meet the needs of our economy and that in no event will a credit crunch occur.

The prime lending rate is going down. To help industry to buy more machines and create more jobs, I am recommending a liberalized 10 percent investment tax credit. This credit should be especially helpful to capital-intensive industries, such as primary metals, public utilities, where capacity shortages have developed.

I am asking Congress to enact tax legislation to provide that all dividends on preferred stocks issued for cash be fully deductible by the issuing company. This should bring in more capital, especially for energy-producing utilities. It will also help other industries shift from debt to equity, providing a sounder capital structure.

Capital gains tax legislation must be liberalized as proposed by the tax reform bill currently before the Committee on Ways and Means. I endorse this approach and hope that it will pass promptly.

Number Five: Helping The Casualties.

And this is a very important part of the overall speech. The Conference on Inflation made everybody even more aware of who is suffering most from inflation. Foremost are those who are jobless through no fault of their own.

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Three weeks ago, I released funds which, with earlier actions, provide public service employment for some 170,000 who need work. I now propose to the Congress a two-step program to augment this action.

First, 13 weeks of special unemployment insurance benefits would be provided to those who have exhausted their regular and extended unemployment insurance benefits, and 26 weeks of special unemployment insurance benefits to those who qualify but are not now covered by regular unemployment insurance programs.

Funding in this case would come from the general treasury, not from taxes on employers, as is the case with the established unemployment program.

Second, I ask the Congress to create a brand new Community Improvement Corps to provide work for the unemployed through short-term useful work projects to improve, beautify and enhance the environment of our cities, our towns and our countryside.

This standby program would come alive whenever unemployment exceeds 6 percent nationally. It would be stopped when unemployment drops below 6 percent. Local labor markets would each qualify for grants whenever their unemployment rate exceeds 6.5 percent.

State and local government contractors would supervise these projects and could hire only those who had exhausted their unemployment insurance benefits. The goal of this new program is to provide more constructive work for all Americans, young or old, who cannot find a job.

The purpose really follows this formula. Short-term problems require short-term remedies. I therefore request that these programs be for a one-year period.

Now, I know that low-and middle-income Americans have been hardest hit by inflation. Their budgets are most vulnerable because a larger part of their income goes for the highly inflated costs of food, fuel and medical care.

The tax reform bill now in the House Committee on Ways and Means, which I favor, already provides approximately $1.6 billion of tax relief to these groups. Compensating new revenues are provided in this prospective legislation by a windfall tax, profits tax on oil producers and by closing other loopholes.

If enacted, this will be a major contribution by the Congress in our common effort to make our tax system fairer to all.

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Number Six: Stimulating Housing.

Without question, credit is the lifeblood of housing. The United States, unfortunately, is suffering the longest and the most severe housing recession since the end of World War II. Unemployment in the construction trades is twice the national average.

One of my first acts as President was to sign the Housing and Community Development Act of 1974. I have since concluded that still more help is needed, help that can be delivered very quickly and with minimum inflationary impact.

I urge the Congress to enact before recess additional legislation to make most home mortgages eligible for purchase by an agency of the Federal Government. As the law stands now, only FHA or VA home mortgages, one fifth of the total, are covered.

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I am very glad that the Senate, thanks to the leadership of Senator Brooke and Senator Cranston, has already made substantial progress on this legislation. As soon as it comes to me, I will make at least $3 billion immediately available for mortgage purchases, enough to finance about 100,000 more American homes.

Number Seven: Thrift Institutions.

Savings and loan and similar institutions are hard hit by inflation and high interest rates. They no longer attract, unfortunately, adequate deposits. The Executive Branch, in my judgment, must join with the Congress in giving critically-needed attention to the structure and the operation of our thrift institutions which now find themselves for the third time in eight years in another period of serious mortgage credit scarcity.

Passage of the pending financial institution bill will help, but no single measure has yet appeared, as I see it, to solve feast or famine in mortgage credit. However, I promise to work with you individually and collectively to develop additional specific programs in this area in the future.

Number Eight: International Interdependency.

The United States has a responsibility not only to maintain a healthy economy at home, but also to seek policies which compliment rather than disrupt the constructive efforts of others.

Essential to U.S. initiatives is the early passage of an acceptable trade reform bill. My special representative for trade negotiations departed earlier this afternoon to Canada, Europe, Japan, to brief foreign friends on my proposal.

We live in an interdependent world and therefore must work together to resolve common economic problems.

Number Nine: Federal Taxes and Spending.

To support programs, to increase production and share inflation-produced hardships, we need additional tax revenues. I am aware that any proposal for new taxes just four weeks before a national election is, to put it mildly, considered politically unwise. And I am frank to say that I have been earnestly advised to wait and talk about taxes anytime after November 5.

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But I do say in sincerity that I will not play politics with America's future.

Our present inflation, to a considerable degree, comes from many years of enacting expensive programs without raising enough revenues to pay for them.

The truth is that 19 out of the 25 years I had the honor and the privilege to serve in this Chamber, the Federal Government ended up with Federal deficits. That is not a very good batting average.

By now, almost everybody -- almost everybody else, I should say -- has stated my position on Federal gasoline taxes. This time I will do it myself. I am not -- emphasizing not -- asking you for any increase in gas taxes.

I am -- I am asking you to approve a one-year temporary tax surcharge of 5 percent on corporate and upper-level individual incomes.

This would generally exclude from the surcharge those families with gross incomes below $15,000 a year. The estimated $5 billion in extra revenue to be raised by this inflation-fighting tax should pay for the new programs I have recommended in this message.

I think, and I suspect each of you know, this is the acid test of our joint determination to whip inflation in America. I would not ask this if major loopholes were not now being closed by the Committee on Ways and Means' tax reform bill.

I urge you to join me before your recess, in addition to what I have said before, to join me by voting to set a target spending limit -- let me emphasize it -- a target spending limit of $300 billion for the Federal fiscal budget of 1975.

When Congress agrees to this spending target, I will submit a package of budget deferrals and recissions to meet this goal. I will do the tough job of designating for Congressional action on your return those areas which I believe can and must be reduced.

These will be hard choices and everyone of you in this Chamber know it as well as I.

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They will be hard choices, but no Federal agency, including the Defense Department, will be untouchable.

It is my judgment that fiscal discipline is a necessary weapon in any fight against inflation. While this spending target is a small step, it is a step in the right direction, and we need to get on that course without any further delay.

I do not think that any of us in this Chamber today can ask the American people to tighten their belts if Uncle Sam is unwilling to tighten his belt first.

Now, if I might, I would like to say a few words directly to your constituents and, incidentally, mine.

My fellow Americans, ten days ago I asked you to get things started by making a list of ten ways to fight inflation and save energy, to exchange your list with your neighbors, and to send me a copy.

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I have personally read scores of the thousands of letters received at the White House, and incidentially, I have made my economic experts read some of them, too. We all benefitted, at least I did, and I thank each and every one of you for this cooperation.

Some of the good ideas from your home to mine have been cranked into the recommendations I have just made to the Congress and the steps I am taking as President to whip inflation right now. There were also firm warnings on what Government must not do, and I appreciated those, too.

Your best suggestions for voluntary restraint and self-discipline showed me that a great degree of patriotic determination and unanimity already exist in this great land.

I have asked Congress for urgent specific actions it alone can take. I advised Congress of the initial steps that I am taking as President. Here is what only you can do: Unless every able American pitches in, Congress and I cannot do the job.

Winning our fight against inflation and waste involves total mobilization of America's greatest resources, the brains, the skills and the will power of the American people.

Here is what we must do, what each and every one of you can do. To help increase food and lower prices, grow more and waste less. To help save scarce fuel in the energy crisis, drive less, heat less. Every housewife knows almost exactly how much she spent for food last week. If you cannot spare a penny from your food budget -- and I know there are many -- surely you can cut the food that you waste by 5 percent.

Every American motorist knows exactly how many miles he or she drives to work or to school every day and about how much mileage she or he runs up each year. If we all drive at least 5 percent fewer miles, we can save almost unbelievably 250,000 barrels of foreign oil per day by the end of 1975.

Most of us can do better than 5 percent by car pooling, taking the bus, riding bikes or just plain walking. We can save enough gas by self-discipline to meet our one million barrels per day goal.

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I think there is one final thing that all Americans can do, rich or poor, and that is share with others. We can share burdens as we can share blessings. Sharing is not easy, not easy to measure like mileage and family budgets, but I am sure that 5 percent more is not nearly enough to ask, so I ask you to share everything you can and a little bit more. And it will strengthen our spirits as well as our economy.

Today I will not take more of the time of this busy Congress, for I vividly remember the rush before every recess, and the clock is already running on my specific and urgent request for legislative action. I also remember how much Congress can get done when it puts its shoulder to the wheel.

One week from tonight I have a longstanding invitation in Kansas City to address the Future Farmers of America, a fine organization of wonderful young people whose help, with millions of others, is vital in this battle. I will elaborate then how volunteer inflation fighters and energy savers can further mobilize their total efforts.

Since asking Miss Sylvia Porter, the well-known financial writer, to help me organize an all-out, nationwide volunteer mobilization, I have named a White House coordinator and have enlisted the enthusiastic support and services of some 17 other distinguished Americans to help plan for citizen and private group participation.

There will be no big Federal bureaucracy set up for this crash program. Through the courtesy of such volunteers from the communication and media fields, a very simple enlistment form will appear in many of tomorrow's newspapers, along with a symbol of this new mobilization, which I am wearing on my lapel.

It bears the single word WIN. I think that tells it all. I will call upon every American to join in this massive mobilization and stick with it until we do win as a Nation and as a people.

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Mr. Speaker and Mr. President, I stand on a spot hallowed by history. Many Presidents have come here many times to solicit, to scold, to flatter, to exhort the Congress to support them in their leadership.

Once in a great while Presidents have stood here and truly inspired the most skeptical and the most sophisticated audience of their co-equal partners in Government.

Perhaps once or twice in a generation is there such a Joint Session. I don't expect this one to be. Only two of my predecessors have come in person to call upon Congress for a declaration of war, and I shall not do that.

But I say to you, with all sincerity, that our inflation, our public enemy number one, will, unless whipped, destroy our country, our homes, our liberties, our property, and finally our national pride, as surely as any well-armed wartime enemy.

I concede there will be no sudden Pearl Harbor to shock us into unity and into sacrifice, but I think we have had enough early warnings. The time to intercept is right now. The time to intercept is almost gone.

My friends and former colleagues, will you enlist now? My friends and fellow Americans, will you enlist now? Together with discipline and determination, we will win.

I thank you very much.

END (AT 4:47 P.M. EDT)