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THE WHITE HOUSE
WASHINGTON

January 2, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

EDWARD SCHMULTS
PAUL MACAVOY

FROM:

JAMES H. CONNOR

SUBJECT:

Current Regulatory Reform Efforts
and Future Initiatives of the Domestic
Council Review Group

The President has reviewed your memorandum of December 24th on the above subject and the following notation was made:

"Set up meeting."

Please follow-up with the appropriate action.

cc: Dick Cheney
Jim Cannon

THE WHITE HOUSE
WASHINGTON
December 24, 1975

INFORMATION

*RR 4
Set up meeting*

MEMORANDUM FOR THE PRESIDENT

THROUGH: JIM CANNON *JC*

FROM: EDWARD SCHMULTS *ES*
PAUL MacAVOY *Paul MacAvoy*

SUBJECT: Current Regulatory Reform Efforts and Future
Initiatives of the Domestic Council Review Group

The Domestic Council Review Group on regulatory reform would like to meet with you to discuss our current progress. We need your personal views and guidance on our future efforts and would like to establish a better sense of your priorities in order to direct our limited resources to those areas that you want to pursue in the second year of regulatory reform. To continue the group's enthusiasm, we would suggest inviting a few members of the DCRG to participate in the meeting.

INITIAL PROGRAM

In your October 8, 1974 address to the Congress, you began the reform of government regulations by announcing a four-point program. First, you assigned the Council on Wage and Price Stability a watchdog role over inflationary costs of government actions and they continue in this role. Your second proposal was for a National Commission on Regulatory Reform to examine the independent regulatory agencies. Although this proposal was not acted upon, Congress has recognized the need for such a review and several committees in the House and Senate have major studies underway. The third proposal required agencies to prepare inflation impact statements on all major proposals and this effort has been implemented. Finally you encouraged State and local governments to review their own regulations and some interest has been expressed by State and local organizations in pursuing these issues.

CURRENT INITIATIVES

Since our initial efforts, two legislative proposals have been

passed by Congress. The Securities Acts Amendments that you signed in June restored competition in brokerage fees in the securities markets after nearly two hundred years of fixed fees. In addition, the repeal of the fair trade laws signed last week removed significant restrictions on offering discount prices to consumers.

Action on other initiatives is still pending:

Financial Institutions - A revised Financial Institutions Act was submitted to the 94th Congress. On December 11, 1975 the Senate passed legislation similar to most of the Administration's proposals, but new tax laws for banks must be considered further in Committee before the total package is complete. The House Banking Committee is studying similar reforms. Prospects for some legislation appear fairly good in this Congress.

Railroad Revitalization Act - The final Senate version of the rail bill contains unacceptable financing provisions; however, it achieves most of the regulatory reform objectives of the Administration's bill. While the House version is more to our liking, the conference bill may still be a candidate for veto.

Aviation Act of 1975 - The bill has been introduced in both Houses. Hearings in the Senate and the House are expected early in the next session.

Motor Carrier Reform Act - The bill has been introduced in the House. Pending introduction of the bill in the Senate, the Department of Transportation has received a tentative commitment for Senate hearings in March or April next year.

New Natural Gas - The Senate has passed a measure dealing with expected shortages which included long-term deregulation of new natural gas. The House is also expected to include deregulation provisions in its bill. Prospects for passage are encouraging.

Forms Reduction - The Commission on Federal Paperwork has been created and its members appointed. Its report is due on October 3, 1977. In the interim, OMB has prepared draft guidelines to reduce the number and the burden of Federal forms.

Simplification and Modernization of Regulatory Activities - In addition to these highly publicized elements of the program, the Administration has proposed legislation to eliminate and simplify anachronistic and unnecessary regulatory procedures and paperwork in some of the oldest Federal agencies: Patent reform legislation will improve and simplify procedures in the patent system and accelerate disclosures of technological advancements; simplification of detailed Coast Guard regulations and procedures established nearly 200 years ago will result in a savings of \$1 million; proposed modernization of the customs laws will reduce unnecessary paperwork and ease restrictions governing goods brought into the United States.

POSSIBLE FUTURE INITIATIVES

Health and Safety - Alternative approaches to achieving environmental, health and safety goals are currently under discussion. The range of possibilities include broadening exemptions for small business, improving cost-benefit analysis, and using taxes and charges as incentives as opposed to detailed agency specifications and enforcement of standards to achieve our health and safety goals.

Dependent Agencies - The regulatory activities of six Executive branch departments and agencies are currently under review. The agencies will be recommending both administrative and legislative reforms in the next month.

Administrative Procedure - The independent commissions will be reporting by Dec. 31, 1975 on their efforts to achieve improved administrative procedures and to give greater weight to the importance of competition in their decisions. DCRG will analyze their responses and will make recommendations on possible future actions including the possibility of a follow-up meeting with the commissioners.

Substantive Review of Regulation - More analyses of the costs and benefits of existing regulation could provide the basis for substantive changes in areas where legislation has not yet been proposed. DCRG will consider the desirability of submitting a comprehensive legislative proposal requiring a "zero-based" review of major regulatory agencies, both the independents and those in the Executive branch. The end result of such a review could be the elimination of regulatory overlap and duplication or the abolition of some regulatory agencies. Similar legislation is currently under consideration by the Congress.

Cable Communications - Federal Communications Commission regulations governing cable television have restricted the growth of the cable industry. DCRG has considered a number of options for reform. A status report on this matter has already been forwarded to you.

Robinson-Patman - This legislation raises consumer prices by making it difficult to offer discount prices on particular sales at the wholesale level. The DCRG has held public hearings on possible modification or repeal of the Act. A decision memorandum will be prepared for your review.

Insurance - Currently the McCarran-Ferguson Act allows States to give antitrust exemptions to insurance rate bureaus. Meetings have been held with industry groups, State regulators, and consumer groups to discuss the desirability and effects of restoring competition to insurance rate setting. Next steps in this area include analyzing the benefits of competition and weighing the effect Federal action might have on the State prerogatives with respect to insurance regulation.

Maritime - The maritime laws currently sanction rate setting by shipping conferences. A study of this issue is underway and an interim report to the DCRG is due in the next week.

In addition to the above initiatives, we are concerned with improving public understanding of the issue of regulatory reform. We are planning to meet with a number of leading business leaders, journalists and others who have given thought to the appropriate relationship between government and business. We would hope that such meetings would help us in formulating and explaining your program thereby increasing public support. We would like to meet with you soon after the first of the year and preliminary to scheduling these outside discussions.