

FOR IMMEDIATE RELEASE

MAY 13, 1976

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF
ELLIOT RICHARDSON,
AND
EDWARD C. SCHMULTS,
DEPUTY COUNSEL TO THE PRESIDENT

THE BRIEFING ROOM

11:15 A.M. EDT

MR. CARLSON: Good morning. As you know, the President today is sending to Congress the Agenda for the Government Reform Act. You should have a copy of its fact sheet and also an advance text of the noon time SBA speech.

Following this briefing we will have copies of the legislation and the Message to Congress.

Here to briefly summarize this legislation and to answer your questions is Secretary Richardson, who has assisted in developing this proposal, and Ed Schmuls, who is the Deputy Counsel to the President and Chairman of the Domestic Counsel Review Group on Regulatory Reform.

Gentlemen.

SECRETARY RICHARDSON: Good morning, ladies and gentlemen:

I am going to say just a few general words about the President's proposal for regulatory reform, the agenda for the Government Reform Act, and then ask Ed Schmuls to follow up with a more detailed description of just how the legislation works.

Regulatory reform has been a subject of major interest to the President for the past two years. He launched a major program of regulatory reform in October of 1974. Since that time significant administrative improvements have been achieved. Legislation has been enacted to repeal fair trade laws, increase competition in the securities industry and eliminate outdated railroad legislation.

The President has also submitted legislative proposals to improve regulation of our airlines, motor carriers and financial institutions.

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The issue of regulatory reform has also been of increasing concern to the Congress and the American people generally. The subject is complex. But increasingly our society is recognizing that issues of fundamental choice are involved, issues involving tradeoffs between degrees of environmental protection, for instance, or jobs, prices and energy consumption.

There is a growing sense that our existing mechanisms have not adequately taken into account both costs and benefits of regulatory activity in the process of developing and administering regulatory policy.

There is also, as is well in evidence, a growing resentment of governmental bigness and clumsiness and I would add intrusiveness, but, because the issues are as complex as they are, there is considerable uncertainty as to how best to proceed toward further reform.

The job requires, first, systematic analysis and, second, a comprehensive plan of action.

The President's initiative announced today is intended to provide a basis for the development of a comprehensive plan of action. It is the next major stage in the President's regulatory reform effort. It provides an opportunity to show the American people that the Congress and the Executive together can come up with a systematic approach to, and timetable for, comprehensive and constructive action in regulatory reform.

The approach taken by this legislation would, in effect, establish a series of specific timetables for reviewing major industrial areas and the regulatory agencies, which deal with those areas, and it incorporates a new and I think very ingenious constitutional device, which Mr. Schmults will explain further, that in effect puts it to the Congress to act within a specified period of time and if at the end of that time, nine and a half months, the Congress has not acted, then by virtue of the amendment of its own rules by the legislation, the proposal submitted to the Congress in legislation by the President for regulatory reform would become the pending business of each House.

This, in effect, means that the Executive Branch by the terms of the legislation is required to come forward with proposals year by year in accordance with the schedules set forth in the legislation and the Congress itself, then having received these proposals, would be required to deal with them one way or another.

Before going to any questions, I am sure you will want to hear Ed Schmults' further description of how this works.

MR. SCHMULTS: Thank you very much, Secretary Richardson.

I might add one thing before I briefly describe the proposal. I think those of us in the Administration who have been involved in regulatory reform have found it to be a very tough task indeed. It is not an easy effort. The problems are difficult. Sometimes the solutions are only dimly perceived but we have to get about the task.

There is a tremendous feeling of frustration on the part of the American people, small businessmen and consumers, about the way government is regulating, about bureaucratic red tape, paperwork and so forth.

Some of the problems that we have seen are that public understanding is just not sufficient yet to achieve change. We really have to do a better job in explaining the problem to the public, the general public, small businessmen and consumers. They simply have to be more effective in helping the Executive Branch and the Congress to achieve meaningful change.

Another problem is one of data. Particularly in the health and safety area, much of the data simply is not there. In the economic area there has been more research in the universities and in the think tanks and by people in government, but in the EPA, OSHA, and these areas, we simply have to develop better data to make the creditable case, the hard case that has to be made to achieve change.

Another problem is over the last year we have been proceeding on what I might call a piecemeal basis. Secretary Richardson mentioned the specific areas or the specific pieces of legislation that have been signed into law. Other bills are pending on the Hill. The President is taking administrative action. But the problem with that approach -- and we intend to continue that approach and I want to emphasize that -- is that where you are working in one area, thousands of pages of regulations are being turned out in another area and the problem is just so broad that you have to put a plan and a process in place.

Also, in the piecemeal approach you tend to focus on an area where a lot of work has been done, where you can build on the research that has been done out in the country and here in government. However, the more important problems may well lie elsewhere, and for that reason, as Secretary Richardson indicated, the President is submitting to Congress a comprehensive action program for reform of government in all of its regulatory activities.

This legislation will force a discipline on the Congress and the President to achieve a meaningful reform. It is important to note that the American people will be engaged in this process in assisting and determining solutions in the public interest.

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Now, what this legislation does basically, before I get into the specifics, is the Federal Government will get its act together. The Executive and the Congress will agree now that we have to put a process in place, we will set forth an agenda as to the issues that are going to be addressed. It prescribes that the President must submit solutions each year, legislative proposals each year to the Congress, and that the Congress must also act on these proposals.

The President will be submitting his proposals in January of each year and if, by November 15 of the same year, a bill has not been enacted by Congress, then the President's proposals become the pending order of business on the Floor of each House until acted upon so that there will be action.

Now, this is important because this should generate confidence in the American people, businessmen, consumers, labor unions, universities, that action will happen, and so they will be prepared to devote their resources, their energies and their time to producing the data and to coming up with solutions for us to review and analyze and for the President to propose and for Congress to act on.

Now it is important -- and I want to emphasize this again -- that this is not a timetable for delay. Any action that can be taken now, either administratively by the Administration or by the Congress by legislation, we will certainly propose immediately.

But the significance of this legislative proposal is it lays out a disciplined framework for reform and for action. The chart is part of your fact sheet and you may be able to see it a little more clearly there.

But what happens here is that at the start of this effort work proceeds in all sectors. The bulk of the work in the first year is in the transportation and agricultural sectors of our economy. At the same time, however, work is beginning in mining, heavy manufacturing and public utilities, also in pipe manufacturing and construction, communications, finance, and so forth.

Now, administrative proposals can be made here by the President and put into place by his own authority. The legislative proposals will be made to Congress, as I have indicated. Congress will agree at the front end that they will act on them in an up-or-down vote.

This gets around the problem of the subcommittees. It will go to the Floor of each House.

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Some of the work here (pointing to chart) -- for example, in EPA and in the Federal Energy Administration, here in the second year we make the basic trade-off between environmental and energy considerations, but work is being done in those areas in the transportation and agricultural sectors.

Of course, the Environmental Protection Agency and the Federal Energy Administration have significant impacts on transportation and agriculture, but it may be, because of the way the Energy Act and the timing of the decontrol procedure, that more comprehensive proposals can be made in the second year, and that is when they will be made, by the end of the second year.

Over here on this part of the chart you see annually each year legislative proposals to Congress for action by Congress. You see administrative actions by the President, who has been taking over the last year and a half and will continue to take in all the departments.

Secretary Richardson in the Commerce Department has a massive effort underway in the regulatory reform area and they are putting improvements in place all across the board.

The independent agencies -- the President has met with them twice and he is cajoling and persuading them to take action in progress there.

There will be a report to the American people on the cumulative effects of regulation on the economy, to the American people and the Congress.

But what may well come out of something like this could conceivably be a regulatory budget because we will be identifying the cumulative impact of regulation of Government interference in the economy by sectors of the economy. That is what has not been done to date.

You have each agency going full bore to achieve its mission and there is no way to reconcile conflicting agency missions, duplication and overlap. By getting out there, talking to the people, the industries involved, identifying the costs -- and we think they will be staggering -- you can then decide what you want to do, how much, how fast and at what cost, and begin to make some of the trade-offs.

We will take any questions.

Q I didn't understand you. Did you say that these proposals will go up there and the Congress will vote on them up or down before they go to committee?

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MR. SCHMULTS: No. What happens is this: If this legislation is enacted, as we hope it will be soon, the President will, according to the timetable in the legislation, be required to submit legislative proposals to Congress. They will then be referred to the appropriate committees with jurisdiction over the subject matter.

These proposals will undoubtedly be made along agency lines because of the way Congress is organized and because of the way the Federal Government is organized.

The bill will be reported to the committees, but it cannot be bottled up in those committees because, if they have not reported a bill out by November 15, the President's proposals go to the Floor of each House and become the pending order of business on the Floor of each House until acted upon.

Q Mr. Schmuls, isn't that a very unrealistic proposal? It is clearly an infringement on the present Congressional prerogatives and it establishes a unique or an unusual precedent that the Congress is likely to resist. Would you comment on that?

MR. SCHMULTS: Yes, sir.

I think that there are significant benefits of this. I think that --

Q Regardless of the benefits --

MR. SCHMULTS: Let me tell you why the benefits of this is not an infringement on Congressional prerogatives. We have been very careful to define a realistic mechanism here. Congress does this itself in this legislation as an amendment of their own rules and they reserve the constitutional right which they have to change their rules, so Congress could, if it so desired, change these rules that make the President's proposals a pending order of business on the Floor.

We would trust that if this legislation was enacted that Congress would be extremely reluctant to do this because the point of this legislation is the President and Congress making a commitment to the American people that reform will be achieved.

Q What have the leaders of Congress thought about your proposal?

MR. SCHMULTS: We have talked to a number of people up on the Hill and the bill will be introduced today. We believe it will be taken up by Senator Ribicoff at his Government Operations Committee hearings next week and we are hopeful that we will get broad support for this legislation.

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Q But I asked you specifically the leaders of Congress. Have you talked to Carl Albert about it, Tip O'Neill, Senator Mansfield, Senator Byrd?

MR. SCHMULTS: We have talked to a number of people. We have not talked to those you have mentioned.

Q Would the legislation permit committees to change the President's proposals?

MR. SCHMULTS: Yes, it would.

Q Then, they could emasculate it, they could kill it, they could change it beyond recognition if they wish.

MR. SCHMULTS: Of course.

SECRETARY RICHARDSON: May I just point out, following up what Ed has said, number one, the legislation calls for the Congress to act on the President's legislative proposals within the 9-1/2-month period. That means, in effect, as you say, that the Congress could emasculate them, it could turn them down --

Q I am talking about committees, Mr. Secretary.

SECRETARY RICHARDSON: -- but it would have acted.

The second point is that the proposal here for the kind of rule change that Ed has mentioned is less far-reaching than the reorganization power that the President already has, which allows him to develop a reorganization plan for Executive Branch agencies submit it to the Congress and then, if the Congress does not act within a certain number of days -- I think 60 -- the reorganization plan automatically goes into effect.

This proposal, of course, is not that the regulatory reform would automatically go into effect at the end of 9-1/2 months but simply that it would become the pending business of each branch as a way of creating some pressure to act on it one way or another.

Q Gentlemen, excuse me, but, to follow up, would you really expect the full House or the full Senate to approve legislation before it had gotten clearance from the committee, the appropriate committee?

SECRETARY RICHARDSON: It has done that on occasion where committees have failed to move expeditiously enough and, of course, here the premise is that the Congress will join the Executive Branch in the recognition that the cumulative burden of regulation has --

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Q Pardon me, Mr. Secretary, but would you go to the podium, please?

Q We can't hear you back here.

SECRETARY RICHARDSON: The premise of the legislation, of course, is that there has been such a common recognition of the cumulative burden of regulation on the part of both the Congress and the public generally that the Congress will want to cooperate in a way of dealing with the problem.

While it is true that the legislation would place the Congress under a deadline, in effect, to act one way or another, it does that for the Executive Branch, too. And I think that the Congress might well agree and should agree with the President that, from the point of view of the people out there, it is Washington without distinction as between the Congress and the Executive Branch that has created this burden of regulations and it is Washington that should do something about it, but Washington can do something about it only cooperatively through action by both the Executive Branch and the Congress.

Q Mr. Secretary, on that point, Congress seems to be responding to another message from the people out there to the effect that Washington is responsible for it, but don't mess with my regulations, and I assume that is why your proposals on trucking and airline deregulation are on dead center in the committees and it is hard to believe that those pressures will be lifted to the point that you can obtain this objective.

SECRETARY RICHARDSON: Well, sometimes it is harder to make progress with small proposals than with big ones. The approach taken here would get to very fundamental problems like, for example, the trade-offs between environmental protection, protection of health and safety, versus cost impact on the product to the consumer versus the impact on jobs.

From my point of view, as Secretary of Commerce, the thing that has struck me most since coming here and taking that job is that business generally is whipsawed between conflicting public demands. People want low prices and environmental protection. They want safety and lower costs. They have not, I think, thought through the impact on job creation, which some of the demands of regulation create.

One of the things that this legislation can do is to help focus what are ultimately public choices. The American people are going to make these choices, have been making these choices one way or another anyway, and what this does is to create a systematic process of identifying the costs and benefits that enter into those choices.

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Once that comes to be understood, I think it will have increasing support as a major effort, perhaps the most important governmental -- the most important review of the cumulative impact of decades of legislation that has been ever undertaken.

Q Mr. Secretary, is this an open-ended program? I mean, it is not just foreseen to go through 1980 or 1984 and beyond?

SECRETARY RICHARDSON: It can go beyond, although the timetable specified in the legislation does, in fact, embrace all the major areas of reform. I suppose maybe one could not confidently forecast that all the things that need to be done would, in fact, have been done at the end of this period, and so there undoubtedly would be a spillover.

Q Mr. Secretary, Secretary Mathews has been making a lot of big talk about all the regulation by his department. The only HEW I see in here is FDA. What about all the rest of it? Has that been excluded?

SECRETARY RICHARDSON: The Food and Drug Administration, of course, is the only part of HEW that impacts on commercial activity and quite directly on the consumer with a lot of the trade-offs that we have been talking about.

The regulations under the Social Security Administration, for example, are regulations that bear on the administration of that program itself.

I will ask Ed to comment.

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Q Mr. Secretary, does this mean that there is another bunch of deregulations coming at the end of the month? Is that just commercial?

SECRETARY RICHARDSON: Well, regulation, as defined here, really bears on the conduct of the private economy and the entire relationship between business and the consumer and the protection of the consumer interests and so on and safety and that kind of thing.

MR. SCHMULTS: That is right.

SECRETARY RICHARDSON: The regulations, as I say, that are from the Welfare Administration or Medicaid or Medicare or Social Security are regulations directed to the people who administer those programs and they clarify what the benefits schedules mean and things like that, but they are not in the sense that this contemplates regulations imposed by government on the outside world.

Q Mr. Secretary, both Governors Carter and Reagan have have discussed in detail the need for -ust such governmental reforms in Washington as well as expounding at length on their experiences in reorganizing State Government in Atlanta and Sacramento. My question is, have you consulted with or been influenced in any way by these two men, either of whom might be President in a matter of months?

SECRETARY RICHARDSON: I think the short answer to that is no, but I will ask Ed. (Laughter)

As I pointed out in the beginning of my statement, this present proposal really has grown out of the initiatives that President Ford took from the very beginning of his Presidency in this field, including the legislation that he has already submitted.

Q Yes, but has it been influenced in any way by Governors Carter and Reagan?

SECRETARY RICHARDSON: I doubt it. I think the answer is more likely the other way around.

Q Well, does this have anything to do with the election, Mr. Secretary?

SECRETARY RICHARDSON: Of course everything that a President who is seeking election and who is a candidate in a sense has to do with it, but the President does not suspend business because of the election and this is certainly a proposal that he would have made at this point regardless of whether it was an election year. I hope, speaking as a citizen, that it will be regarded as further evidence of why he ought to be elected.

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Q Mr. Secretary, if this is a non-election year serious proposal and it does, as you pointed out, seriously affect the conduct of the Congress in this area, I don't quite understand why it has not been taken up with the Democratic leadership with whom you are going to have to deal down the line.

SECRETARY RICHARDSON: I can't speak directly to the tactical judgment involved in this, but I assume that the answer was that the first people to deal with it would be the people whose committees would have jurisdiction over the legislation, that there was a considerable road to travel before it became a matter on which the leadership would have any occasion to act.

MR. SCHMULTS: That is right. We certainly want to work with the Democratic leadership, any people on that side of the aisle. Senator Robert Byrd, Congresswoman Barbara Jordan have been very active in this reform effort and they have a good bill that will be considered on the hill, too, and we want to work with them. We think this is a very good government effort that deserves bipartisan support. We have discussed this with some Democrats on the Hill, but I would not put them in the leadership as such, as you define it, but we certainly do want to work with them and we hope that Congress will enact this.

I would like to return to one point, if I could, about the air bill that I just would like to add one thing. I think the air bill really proves two things: One, it proves you can achieve progress when you do it agency by agency because I think with the air bill and the CAB the level of debate and understanding is considerably higher than it was a year ago.

Senator Kennedy came out with a very good report in that area. The CAB, I think, gave almost unprecedented testimony before Senator Cannon's committee. So I would say that there has been progress there, but when you deal with it agency by agency, as some of the bills do on the Hill, you are debating the problem just on the basis of what that agency does and on its mission and its goals and how much money do you want to spend.

So much of the problem is really a cross-cutting problem, it is a cumulative impact of regulation on small business. There are five agencies that are allaying costs and, of course, many more than five--on small business, and you cannot do it all at once. You have to begin to make some tradeoffs as between agencies, and that you cannot do if you consider it agency by agency.

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The advantage of the President's bill, as Secretary Richardson indicated, is you do pick up the cumulative impact first and then you decide and you inventory where the real problems are and you come up with legislative proposals.

Q On the air bill, how will this legislation affect the Aviation Act of 1975 or the Civil Aeronautics Board in particular?

MR. SCHMULTS: The fact sheet indicates that the Administration will be pressing forward with its air bill and other bills which it submitted, or which the President submitted, on the Hill. This is much broader. The air bill, basically, deals with economic regulation. There is health and safety, there are energy considerations, there are all sorts of other things that impact on the airline industry generally. But this is not an excuse to delay pressing forward with any other reform measures, either administrative or legislative, and the Administration will be vigorous in doing so, including the air bill.

Q By 1977 you have DOT up there. I don't see CAB. Does that mean you will be reviewing the Civil Aeronautics Board, the overall --

MR. SCHMULTS: That is correct. These are just examples of agencies that would be considered. To give you some of the primary agencies, the CAB would obviously be in that first year, although we think that we have a comprehensive bill in the economic area with which the CAB is concerned with the President's air bill.

Q Mr. Schmuls, on these substantive questions you put down some topics. Could you tell us what you have in mind, for example, for crop and livestock regulation? That is a pretty important sector.

MR. SCHMULTS: Well, there, again, you have all sorts of ways that the government is intersecting with the farmers. I had a Senator when I was talking about this bill tell me that he was traveling around his State and the tremendous concern that the farmers in his State were voicing to him about a government representative coming down to tell the farmers how deep to dig their ditches -- as if he knew, the Senator added.

I mean we are going to look at questions like this -- crop subsidies, those that are still around; energy considerations; health and safety; OSHA impacts; the farmers and so forth. All of these questions will be considered.

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MR. ROBERTS: Let me say that it seems to me we are getting into the technicalities of it. We are running short of time with the Secretary. It would be a good time to cut this off. Mr. Schmultz, I am sure, would be glad to take your further questions on the details of this, or Stan Morris at 6176 with the OMB, or Paul Leach at 6554 with the Domestic Council. They would be very glad to pursue the subject further.

Thank you.

SECRETARY RICHARDSON: May I just add one or two words. The timetable for reform in the fact sheet on Page 3 has a more comprehensive list of agencies given as examples of those that would be considered for action. CAB is identified in the 1977 timetable.

I will also simply mention one other ongoing activity, Ed referred to it briefly. In Commerce under Assistant Secretary for Policy, Dick Darman, we have been developing the analytical components of this basic reform approach and we are doing it primarily by industry without regard in the first instance to the agencies or legislative authorities that create regulations in order to get at these cost benefit problems -- for instance, in paper, copper, fossil fuel, steam electric generating, aluminum and so on. So that work will be going forward anyway anticipating, hopefully, the enactment of this legislation.

THE PRESS: Thank you, Mr. Secretary.

END (AT 11:51 A.M. EDT)