DEPARTMENT OF LABOR (Continued)

25.	Certification Process and Adverse Effect Wage Rate (46 FR 4568)	The rule would have changed the method of determining the adverse effect wage rate from a regional to national level method and rate. The Department has submitted a Federal Register notice withdrawing this rule.

DEPARTMENT OF TRANSPORTATION

26.	Urban Transportation Planning (46 FR 5702)	This rule implements the urban transportation planning process mandated by the Federal-Aid Highway Act and the Urban Mass Transportation Act of 1964. DOT is postponing this rule so that FHWA and UMTA can determine what portions will be made effective and what portions will be withdrawn.
27.	Addition of Water to Pipelines Transporting Anhydrous Ammonia (46 FR 39)	Establishes a water standard for pipelines transporting anyhdrous ammonia. DOT is postponing the effective date to permit additional analysis of potential costs and benefits.
28.	Traffic Control Devices (46 FR 2038)	Reduces and consolidates existing regulations that prescribe procedures for States to develop uniform traffic control devices. DOT is withdrawing this rule to allow a thorough reevaluation of FHWA's traffic control program.
29.	Carpool and Vanpool Projects (46 FR 2298)	Revises eligibility criteria for federal funding of carpool and vanpool projects in accordance with the Surface Transportation Assistance Act of 1978. DOT is withdrawing this regulation for FHWA to review the overall program.
30.	Bus Rehabilitation Program Policy and Procedures (46 FR 9862)	Establishes policy and eligibility criteria for grants to aid in bus rehabilitation projects. DOT is withdrawing this regulation. A more flexible policy statement is being considered in its place.
31.	Emergency Stockpiling of Buses (46 FR 5480)	Allows grantees to stockpile buses for future emergency use. DOT is withdrawing this rule. A more flexible policy statement is being considered in its place.

DEPARTMENT OF TRANSPORTATION (Continued)

32. Urban Initiatives Program (46 FR 5820)

This regulation concerns funding for mass transportation projects to enhance urban development. DOT is withdrawing this regulation. Funding for this program is scheduled to end.

DEPARTMENT OF TREASURY

33. Revenue Sharing Handicapped Discrimination Regulations (46 FR 1120)

The rule imposes extensive new obligations on local governments that are recipients of revenue sharing funds to prevent discrimination against the handicapped in services, employment and access to facilities, as provided in Section 504 of the Rehabilitation Act of 1973, as amended. These regulations should be postponed pending further analysis of the potential impacts.

ENVIRONMENTAL PROTECTION AGENCY

34. Timber Products Effluent Guidelines: BPT and BCT (46 FR 8260)

On January 26, EPA promulgated best conventional pollutant control technology (BCT) effluent limitation for categories of the timber industry. Pending EPA's current review of the economic methodology for determining the reasonableness of BCT standards, it is appropriate to postpone the final BCT regulations. The BPT regulations will go into effect.

35. Amendments to General Pretreatment Standards (46 FR 9404)

These amendments modify an earlier program for controlling industrial discharges into municipal sewage systems. These regulations will be postponed pending further examination.

36. Pesticides: Classification of Uses of Active Ingredients and State Registration of Pesticide to Meet Local Needs (46 FR 2008 and 5696)

EPA issued two regulations classifying uses of active ingredients for restricted use and specifying provisions for State registration of pesticides to meet local needs. At EPA's initiative, these regulations are being postponed due to special Congressional review provisions under FIFRA.

March 25, 1981

EXISTING REGULATIONS TO BE REVIEWED

DEPARTMENT OF AGRICULTURE

1. Mechanically processed (species) product

The Department of Agriculture has established, by regulation, requirements for the production, use and labeling of mechanically processed (species) product (a meat food product resulting from the mechanical separation of bone and skeletal muscle), and the labeling and preparation of products in which it is used as an ingredient. The regulations' primary impacts are on processors of the product and processors and consumers of products in which it is used. A review of the regulations will determine whether modifications would result in higher net benefits to processors and consumers.

2. Marketing orders for fruits and vegetables

Regulations issued to implement fruit and vegetable marketing orders have a direct impact on both producers and first handlers by specifying the quality of the regulated commodities to be marketed, the quantities to be marketed on a scheduled basis within a season, or the outlets into which a seasonal crop may be marketed. Orders also may provide for establishment of a reserve pool whereby supplies in excess of marketing requirements must be set aside for later sale. In addition to meeting the marketing regulations, handlers also must finance the local administration and any research or promotional activities under the programs. A review of fruit and vegetable marketing orders will focus on the programs' effects on economic efficiency, costs and productivity.

3. National Forest Service planning regulations

The National Forest Management Act (NFMA), enacted in 1976, required the development of regulations establishing standards and guidelines for land and resource management planning on 191 million acres of National Forest System lands. The Act requires these plans to be developed by September 30, 1985. For the past 1 1/2 years the Forest Service has been implementing the regulation developed in 1979 pursuant to NFMA. During this period, it has become apparent that certain revisions are needed to clarify direction to planners in order to streamline and speed up the process. The purpose of the review is to simplify the procedures, improve efficiency in planning, and encourage prompt land use decisions that will meet public needs.

DEPARTMENT OF COMMERCE

4. Regulations implementing various fishery management plans

The National Marine Fisheries Service issues rules for the management of fisheries off the U.S. Coast, primarily to prevent "over-fishing." While these rules have been successful in sustaining the fisheries, in many cases they may require inefficient and wasteful fishery methods.

DEPARTMENT OF EDUCATION

5. Education of handicapped children

The regulations to implement the <u>Education of Handicapped Children Act of 1975</u> (P.L. 94-142) define a special education program for handicapped children, involving an individual education plan for each handicapped student and the concept of "mainstreaming." While the Department does not have an estimate of the cost of complying, school districts are concerned that Federal funds for this program are inadequate.

DEPARTMENT OF ENERGY

6. Coal Conversion Program

A complex set of rules implementing a statute which directs electric utilities and large industrial fuel users to switch from oil and gas to coal or some alternative fuel. The statute includes a prohibition of natural gas for baseload power generation after 1990.

These requirements may be unnecessary with decontrol and counterproductive given increased availability of natural gas since the Fuel Use Act was passed.

7. Residential Conservation Service

These regulations implement a statute which requires the States to have utilities provide to residential customers, for a nominal fee, a complete "energy audit" of their home or apartment pointing out ways to conserve energy. The requirements for these inspections are complex and expensive. The cost of inspection, beyond the nominal fee, would likely show up in customers' utility bills.

ENVIRONMENTAL PROTECTION AGENCY

8. BCT Effluent Guidelines

Under the 1977 Amendments to the Clean Water Act, EPA is required to consider the reasonableness of costs in establishing more stringent effluent limits for industrial dischargers of conventional (non-toxic) pollutants in relation to comparable municipal costs. Under these requirements, EPA established the incremental cost of achieving a more stringent treatment of municipal wastewater as a benchmark for determining the "reasonableness" of more stringent controls for industrial dischargers. EPA determined a benchmark cost of $1.15 per pound for municipal treatment. However, recent analysis indicates that EPA's methodology may be incorrect. EPA is restudying the BCT benchmark cost to ascertain whether a lower cost figure would meet the requirements of the law. Adoption of a lower benchmark cost figure could result in substantial savings.

9. Hazardous Waste Disposal

These rules establish a comprehensive, "cradle-to-grave" program governing the generation, handling, and disposal of hazardous wastes. Estimates of the costs of this program range from one to two billion dollars per year; however, EPA has never completed a thorough regulatory/economic analysis of the program and any cost figure is somewhat speculative. Several major issues deserve review, including the comprehensive definition of hazardous waste under the rules and the limited extent to which EPA has been able to vary program requirements based on the degree of hazard of the waste. This program will impose a substantial additional burden in terms of the time, effort, and financial resources required of the private sector in meeting the information requirements imposed by the program.

10. Electroplating Pretreatment and General Pretreatment Standards	Electroplating pretreatment rules establish national, technology-based standards requiring roughly 90 percent removal of the toxic pollutants (heavy metals and cyanide) discharged by the electroplating industry into municipal sewage treatment systems. EPA estimated that in order to meet these pretreatment standards the electroplating industry would incur capital costs of $1.3 billion and annual costs of $490 million (in 1976 dollars). Electroplaters have been shown to be a major source of toxic water pollution. In addition to the categorical electroplating pretreatment standards, EPA also promulgated general pretreatment regulations requiring municipal sewage treatment systems to establish pretreatment programs. These regulations establish a national program for controlling industrial discharges into municipal sewage systems. EPA will review its pretreatment program to evaluate whether it appropriately balances environmental protection, economic impacts, and flexibility for states and localities.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

11. New Drug Application Requirements	This set of regulations (21 CFR 314) governs the submission and review of new drug applications. It involves requirements for testing and marketing of all drugs to be used by consumers in the United States. Concern from the public, Congress and the drug industry about delays in the existing process and its cost justifies a thorough review.

12. Medicaid Regulations Affecting States

At present a variety of regulations impose significant administrative requirements on States. States contend that these regulations hamper their ability to provide services to needy people at reasonable funding levels. In addition, the President has promised States that regulatory relief will accompany his proposal to limit Federal Medicaid expenditures. For these reasons, a thorough review is warranted.

13. Health Care Institution Certifications and Surveys

Hospitals, nursing homes, and other institutional health care providers are subject to myriad, frequent and duplicative surveys and reviews. Many of these reviews are a result of the Federal government's role in insuring the health and safety of patients. Given an expanding role and improved performance by State and local governments and voluntary organizations in this area, a reassessment of the appropriate Federal role is warranted.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

14. Minimum Property Standards for one- and two-family dwellings and multi-family dwellings

The Minimum Property Standards (MPS) are composed of numerous design, construction, and amenities criteria used as requirements for new residential construction under HUD mortgage insurance, public housing, and rent subsidy programs. In September 1980 HUD proposed to delete "livability and marketability" standards from the One- and Two-Family MPS. An expanded review would examine whether much more extensive deletions may be in order. For numerous objectives of the MPS, alternative government programs and private market forces (e.g., local building codes, homebuilders' warranties) may achieve the same purposes. No improvements in the MPS for Multi-Family Dwellings have been proposed to date, but there appear to be equally strong grounds for a comprehensive review of them as well.

DEPARTMENT OF THE INTERIOR

15. Surface Mining Rules

These regulations implement the Surface Mining Act, which sets forth techniques that must be used for surface mining, particularly recontouring and reclaiming the land afterwards. The requirements for original contour and vegetation may preclude more useful or aesthetic treatment. These rules not only raise the cost of surface mining, but could render some areas uneconomical to mine at all.

16.	**Federal Coal Management Program**	These regulations govern competitive lease sales for coal on federal lands. They determine the rate at which coal will be made available (target-setting procedures), and withdraw some areas entirely from coal mining ("unsuitability" criteria). In the West, where Federal lands contain the major share of total coal reserves, excessively restrictive management can cause shortages, lessen competition, and raise coal prices.

DEPARTMENT OF JUSTICE

17.	**Leadership and Coordination of Nondiscrimination Laws**	Rules implementing Executive Order 12250 to coordinate the implementation of Federal laws that prohibit discrimination on the basis of race, color, national origin, religion, sex or handicap in programs receiving Federal financial assistance warrant review. Under this Executive Order, DOJ has a leadership and coordination role which includes issuing regulations affecting non-discrimination programs in other Federal agencies.

DEPARTMENT OF LABOR

18.	**Occupational Noise**	On January 16, 1981, the Occupational Safety and Health Administration published regulations effective April 15, 1981 that require employers to institute hearing conservation measures for all workers in general industry (except agriculture and construction) exposed to noise levels equal to or exceeding an eight-hour time weighted average of 85 decibels. This rule is an outgrowth of the occupational noise standard revision which was first proposed in 1974. The issues of the permissible exposure level and the appropriate methods of compliance with that level should be reviewed. In any case, the hearing conservation measures,

themselves, are expensive (over $250 million annual costs), controversial (petitions challenging the rules have been filed in three Courts of Appeals) and possibly not cost-effective (the standards are alleged to be too design-specific and not performance-oriented enough).

19. Office of Federal Contract Compliance Policy

The Federal Contract Compliance programs are administered under the authority of a 1965 Executive Order (11246) and subsequent legislation. These regulations need to be examined to determine if they exceed legal requirements. To a large extent these regulations impose specification standards on government contractors. These should be reviewed to see if broad performance standards could replace the tight specifications. There is an overlap between EEOC's statutory authority and the Department's Executive Order 11246 authority. The Department's regulations place more stringent requirements on firms that do business with the government than the Civil Rights Act of 1964 requires of other businesses. The appropriateness of such dual tiering should be examined.

20. Prevailing Wage

Under the Davis-Bacon and Service Contract Acts, the Department of Labor establishes minimum rates, based on a prevailing wage concept, for wages and benefits paid to workers by Government construction and service contractors. The original intent of these laws was to prevent competitive Government procurement from depressing wages below minimum rates prevailing in localities where Federal contracts are being implemented. Their effect over time (since 1931 for the Davis-Bacon Act and since 1965 for the Service Contract Act) has been to escalate wages above rates prevailing in the private sector. This happens because contractors can pass through wage costs without having to worry about competition. Service contract costs are determined largely by wage and benefit levels (about 75 percent of contract costs) and construction costs are about 25 percent labor related. The Davis-Bacon Act covers at least $30-35 billion per year of construction contracts. The Service Contract Act covers an additional estimated $5-10 billion per year of Federal contracts for services.

21. Personal Protective Devices

Although OSHA does not have a published comprehensive policy on personal protective devices apart from its individual rulemakings on specific occupational hazards, OSHA has consistently adopted a policy of requiring engineering controls first and personal protective devices only when engineering controls are not feasible or as supplements to engineering controls. This policy has been implemented regardless of the degree of risk of the hazard (carcinogens were treated the same as cotton dust or noise) and regardless of the costs. A policy that simply set performance standards, allowing employers the option of using personal protective devices where they are as effective as engineering controls, might be more cost-effective and ultimately more beneficial to workers and society.

22. OSHA Carcinogen Policy

The Cancer Policy does not regulate specific chemicals nor require their regulation. Instead, it explains how OSHA will regulate carcinogens in the future. It is intended to streamline the regulatory process, thereby conserving the resources of both the Agency and affected industries, as well as providing greater protection to employees. It is also designed to assist industries' long-term planning by giving them notice of how regulation would proceed. The policy achieves these goals by establishing (1) the evidentiary criteria by which OSHA will conclude that a substance causes cancer; (2) a system for establishing priorities; (3) rulemaking procedures, including limitations on the issues which can be raised; and (4) certain substantive requirements which must be incorporated into future regulations of Category I carcinogens, most notably that employee exposure must automatically be reduced to the lowest feasible level (i.e., through engineering and work practice controls). The policy specifically rejects the use of cost-benefit analysis in setting exposure levels.

OFFICE OF MANAGEMENT AND BUDGET

23. Urban/Community Impact Analyses

This OMB Circular (A-116) requires agencies to conduct analyses to identify the likely effects of proposed major programs and policy initiatives on cities, counties and other communities. The intent of these analyses is to inform decisionmakers of agency actions which may run counter to the President's urban policy. The Circular provides guidance on the conduct and format of such analyses.

24. University Research — Circular 73-7 establishes certain requirements for administration of college and university research programs. These include restrictions on how research projects are managed, and limitations on certain kinds of costs. They also call for numerous approvals by the Federal Government. Many Federal agencies have continuing relationships with educational institutions via grants or other agreements for research, training and similar services. The OMB policies have a direct impact on both the nature and level of this relationship.

25. Cost Sharing on University Research — Circular 73-3 provides guidelines to Federal agencies requiring universities to share in the cost of research projects, whether or not cost sharing is required by law. Many Federal agencies have continuing relationships with educational institutions via grants or other agreements for research, training and similar services. The OMB policies have a direct impact on both the nature and level of this relationship.

DEPARTMENT OF TRANSPORTATION

26. Access to Handicapped — These rules require local governmental entitities receiving Federal financial assistance for mass transit purposes to assume extensive handicap accessibility obligations. Each mode of transportation in an urban mass transit system must be made accessible to the handicapped. Renovation of "key" subway stations is required; if other stations are not accessible, alternative modes of transportation must be available to serve the handicapped. New buses must have ramps or lifts to accommodate wheelchairs. New York City alone estimates the capital costs (principally for purchasing lift-equipped buses and retrofitting subway stations) at between $1.1 billion and $1.6 billion, annual operating costs at between $68 million and $140 million, and total cost over 50 years between $2.6 billion and $6.1 billion.

DEPARTMENT OF TREASURY

27. **Use of Published Indices to Determine Inventory**

Many taxpayers, especially small businesses, do not currently use the dollar value LIFO method of accounting for inventory because existing rules relating to the computation of inventory price indexes used in connection with the dollar-value LIFO method of inventory valuation are perceived as being too complex and burdensome. IRS proposed on January 16, 1981 amendments to the LIFO regulations that would permit taxpayers to use price indexes prepared by the United States Bureau of Labor Statistics in lieu of computing an inventory price index based on their own inflation experience. The objective of the amendments is to provide taxpayers with an alternative, simplified, method of computing an inventory price index that will make the use of the dollar-value LIFO method easier to understand and use. However, unresolved technical issues that were not addressed in the proposed rulemaking, such as the application of the 80 percent limitation to the inflation rate for a period of more than one taxable year, need to be addressed.

EPA Rule Changes

The Environmental Protection Agency today announced final action to remove several procedural restrictions from EPA's "bubble" policy. At the same time, the Agency approved a New Jersey state rule that reflects the new approach. These changes, which affect hydrocarbons, will significantly expand the number of sources that can use a "bubble" approach to controlling pollution. They will also reduce the degree of Federal involvement in state decisions involving "bubbles" to the minimum necessary to carry out the Clean Air Act. Together, these two changes should result in cheaper pollution control and greater pollution reductions at the same time.

The bubble policy involves treating the various stacks of a factory as though they were one emission point under a large dome or bubble, rather than as separate entities to be rigidly regulated individually. Thus, in contrast to the traditional approach where government officials set specific emission standards at each pollution source within a factory, the bubble permits plant managers to propose their own emission standards -- tightening them in places where it is least costly, and relaxing or even eliminating them where pollution control costs are high. The bubble is a voluntary program.

The changes announced today make the following two major changes in EPA's "bubble" policy.

1. The Clean Air Act generally requires EPA to review, and affirmatively approve, all elements of a "state implementation plan" to meet air quality standards. The requirement of affirmative approval was designed to allow EPA to make sure that the particular control approach the state has chosen will in fact meet the air quality standards on schedule.

Because of the characteristics of hydrocarbon emissions, however, EPA concluded that review of each separate state "bubble" transaction was not needed to meet this basic statutory purpose if a state approved such "bubbles" through tightly-drawn rules like New Jersey's. Hydrocarbons are controlled because they react in the atmosphere to form photochemical oxidants or "smog". Smog is a broad, area-wide problem, and EPA believes that all hydrocarbon emissions within a broad geographic area contribute equally to it. Accordingly, if <u>total</u> emissions of hydrocarbons in an area will not increase, EPA believes that the state may allow sources to rearrange their emissions under rules like New Jersey's within that total without case-by-case EPA approval.

The impact on air quality of certain other pollutants -- such as sulfur oxides and particulates -- appears much more dependent on the exact location of an individual source. EPA is now studying the extent to which the present requirement of affirmative Federal approval could be relaxed for these sources.

2. Previously, EPA did not allow "bubble" transactions to involve sources for which EPA had not issued recommended control standards. The purpose was to make sure that emissions increased under a "bubble" would not be balanced by reductions that would have been legally required in any event. To allow that would in effect allow bubbles to lead to emission increases rather than to achieving a given emission reduction at a decreased cost.

EPA today is loosening its application of this basic policy, but not abandoning it. Sources can now participate in a "bubble" whether or not EPA has issued recommended standards regarding them as long as the state has defined and requires an acceptable minimum level of control.

The New Jersey rule approved today also contains a number of safeguards to help assure that it will work properly. Public notice of all "bubbles" will be given, and public comment will be invited by the state on the more important ones. Also EPA will be informed of any adjustments of emission limitations under a "bubble" so that it will know what control requirements are legally binding and enforceable.

OFFICE OF THE VICE PRESIDENT

WASHINGTON

March 25, 1981

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Consolidation of Regulatory Oversight

President Reagan has made regulatory relief one of the top priorities of his economic policy. He has asked me, as Chairman of the Presidential Task Force on Regulatory Relief, to take clear, constructive, and decisive action to restrain Federal regulation and to improve the regulatory process. Through Executive Order 12291, issued February 17, 1981, President Reagan has directed the Director of the Office of Management and Budget, subject to the direction of the Task Force, to coordinate Executive branch regulatory policies.

This approach renders unnecessary the Regulatory Council, established by President Carter in 1978 as part of his efforts to gain control over the regulatory agencies. To avoid duplication of Task Force efforts and to ensure consistent direction to the agencies, the President has directed me to disband the Council effective immediately.

One major activity of the Council has been to publish, at least every six months, a unified "Regulatory Calendar" describing the goals and anticipated effects of major regulations under development. This is a useful effort which will be continued under the auspices of the Office of Management and Budget. I request that you continue to participate in this project and to provide the information which will be requested.

George Bush

OFFICE OF THE VICE PRESIDENT

WASHINGTON

March 25, 1981

SPECIMEN OF LETTER SENT TO INDEPENDENT AGENCIES

Dear

President Reagan is deeply concerned about the burden of Federal regulations and paperwork, and strongly believes we need to reduce the intrusion of the Federal government into our daily lives. He has established a Task Force on Regulatory Relief, which I chair, and he has issued Executive Order 12291 to establish procedures for careful review of new and existing regulations to assure their compliance with his goals of reducing regulatory burdens.

In this Executive Order, President Reagan ordered cabinet departments and agencies to choose, among feasible alternative approaches to any given regulatory objective, the alternative involving the least net cost to society. To help focus these efforts, he ordered that these agencies prepare a regulatory impact analysis of major regulatory actions.

We appreciate that your organization's internal procedures may make it difficult for you to comply with every provision of Executive Order 12291. For upcoming major regulations, however, I am requesting that you voluntarily adhere to Sections 2 and 3 of the Order. To the extent you can comply with the spirit of the Order, this will help demonstrate to the American people the willingness of all components of the Federal government to respond to their concerns about unnecessary intrusion of government into their daily lives.

By the enclosed communication, I have today carried out the President's wish to disband the U.S. Regulatory Council. You should note, however, that the staff will continue to prepare for publication the extraordinarily useful Regulatory Calendar. We solicit and urge your continued, and valued, participation in the Regulatory Calendar project.

President Reagan joins me in asking for your cooperation. Working together, we will be able to coordinate and reduce the cumulative burden of needless and overly rigid government regulation.

Sincerely,

George Bush

Enclosure

THE VICE PRESIDENT

WASHINGTON

March 25, 1981

SPECIMEN OF LETTER SENT TO SMALL BUSINESS GROUPS

Dear

As you may know, President Reagan has asked me to chair his Cabinet-level Task Force on Regulatory Relief. Unlike many efforts in the past, the Task Force's job is not to study regulation, but to reform regulation.

We need your participation in this effort. Secretary of Commerce Malcolm Baldrige is a member of our Task Force and will serve as the Task Force's principal contact with the small business community. I hope you will work with Mr. Baldrige to provide us with much-needed information.

Your organization is comprised of many people who have direct experience with the effects of government regulation. Therefore, would you please send us documentation of instances in which specific regulations could be changed in order to increase benefits or decrease costs, thereby generating greater net benefits overall.

We would like to have your first ten priority issues listed first. In the interest of time, it would be especially useful to us if you would be specific in the ways you wish these changed -- whether legislation would be required; whether agencies could make the change on their own initiative and how; and any other staff work that would speed up the process, such as proposed language. It is also important that you include with this report a one-page summary of each regulation issue in the format indicated on the enclosed sheet. (We know that some groups have already submitted similar reports to the Task Force and the agencies. For such reports, it would be sufficient simply to prepare the one-page summaries, including reference to the recipient of the underlying material so that we can ensure coordination.)

We'd like your input by May 1, 1981. You should send this summary, together with supporting documentation, to the agency head responsible for enforcement of the regulation. To help us coordinate, we'd like you to send a copy of the one-page summaries to Mr. Baldrige, to the Executive Director of the Task Force and to my office.

I appreciate your consideration on this matter. Together we can provide the regulatory relief our economy desperately needs.

Sincerely,

George Bush

Enclosure

Suggested Format of One-Page Summary of Review Requests

Source of Rule:	(Agency enforcing the regulation
Citation:	(Precise legal reference)
Description of Problems:	(Adverse impact)
Estimated Cost:	(Defensible estimate)
Estimated Benefit:	(Defensible estimate)
Other Impact:	(Nonquantifiable impacts)
Originator:	(Name, title, address and telephone number of the person to contact with questions)

Routing:

Original, with supporting documentation, to the Secretary or head of the enforcing agency.

A copy of the summary page to each of the following:

The Honorable Malcolm Baldrige
Secretary of Commerce
Washington, D.C. 20230
Attn: Regulatory Relief

Dr. James C. Miller III
Executive Director, Presidential Task Force on Regulatory Relief
Old Executive Office Building
Washington, D.C. 20503
Attn: Regulatory Relief

C. Boyden Gray, Esquire
Office of the Vice President
Washington, D.C. 20501
Attn: Regulatory Relief

NOTES ON REGULATION AND REGULATORY RELIEF

I. General Statistics

90 Federal agencies have some regulatory responsibilities.

The eleven cabinet agencies and EPA issued more than 5,000 new regulations in 1980.

The Federal Register filled more than 87,000 pages in 1980, up from 20,000 in 1970, and increasing at the rate of 10,000 pages per year.

Budget expenditures on regulatory programs at the principal regulatory agencies amounted to at least $4 billion in FY 1980. The total cost of regulation may exceed $100 billion annually. Environmental regulation, according to CEQ, will cost more than $500 billion over the next 10 years.

II. Regulatory "Freeze"

The postponement in effective dates of final regulations affected 12 agencies:

USDA	Interior
Commerce	Justice
Education	Labor
Energy	Transportation
HHS	Treasury
HUD	EPA

A. 172 regulations that had already been issued in final form but which had not yet taken effect were initially postponed.

- 41 were released during the 60-day period.
- About 100 more will be released on March 30, when the postponement ends.
- The remaining 30 or so will be further postponed and reconsidered.

B. An indefinite number of regulations that were about to be issued in final form--a hundred or more--were held up. Twenty-one of these regulations were released during the 60-day period.

C. 44 final regulations were issued on an emergency basis, without going through the postponement process.

III. Executive Order

223 submissions had been received under the Executive Order by close of business, March 23. New submissions are arriving at a rate of 30 per day, which would translate to 7,500 annually. (Each rule will be reviewed twice, first as a proposal and later as a final rule.)

IV. Initial Impact of "Freeze" and Executive Order

During the month of January 1981, the average daily length of the Federal Register increased by 50 percent over the average for the previous year. By the end of February, after the postponement and freeze, the Federal Register was 25 percent shorter than the average for the previous year. The average daily number of proposed and final rules each declined by at least 50 percent after the postponement and Executive Order were announced, compared to the average for the month of January.

	Average Number Per Day		
	Final Rules	Proposed Rules	Federal Register Pages
Jan 2 - Jan 29	38	24	525
Jan 30 - Feb 17	22	17	244
Feb 18 - Feb 27	19	11	254

Note: the postponement was issued on January 29; the Executive Order was signed on February 17.

Among the regulations withdrawn or deferred since the announcement of the Task Force and the regulation postponement are:

Agency	Regulation	Capital Cost (in millions of dollars)	Annual Cost (in millions of dollars)
Education	Bilingual Education	--	180-590
Transportation	Passive Restraints	100	50
OSHA	Chemical Labelling	650-900	340-470
EPA	Garbage Truck Noise	--	30

V. Paperwork Burden

OMB's inventory of reporting requirements contains 3,829 active reports, accounting for a total of 195 million burden hours. (That understates the annual burden, since additional reports will be added during the course of the year.) OMB processes 3,000 transactions annually, covering 50 agencies. The two largest reports are:

Medicare Forms	30 million hours
Food Stamps	18 million hours

IRS tax forms are not covered. When they and other agencies are brought into the system, annual burden hours will increase to 1.25 billion hours, annual transactions to 10,000.

THE WHITE HOUSE

Office of the Press Secretary

April 6, 1981

FACT SHEET

President Reagan's Program for the U.S. Automobile Industry

Promptly after taking office, President Reagan appointed a Cabinet-level Task Force to examine the problems of the U.S. auto industry. Based on the advice of the Task Force and other Presidential advisers, he has adopted a positive program to address directly the immediate problems of depressed sales, record losses, and severe unemployment. The program also addresses the industry's critical longer term needs to offer new competitive models and to reduce unit costs.

BACKGROUND ON THE AUTO INDUSTRY

The Situation is Serious

- In 1980 a stagnant and inflationary economy reduced sales of U.S.-made cars to the lowest point in 19 years. Compared with only three years earlier, total auto sales (domestic and imported) were down 20 percent, and sales of light trucks and vans were down 35 percent.
- The domestic companies incurred unprecedented losses of $4.3 billion in 1980.
- The downturn in auto sales has exacted a severe human toll. Over 180,000 auto workers are on indefinite layoff, 300,000 more are estimated to be unemployed in supplier industries, and another 100,000 are out of work in the dealer network.

The Problems are Longer Term as well as Cyclical

- Not only are sales depressed because of the stagnant economy, but the U.S. auto industry has experienced a dramatic change in its markets, induced by escalating energy prices. As gasoline increased from 70¢ per gallon in January 1979 to $1.35 per gallon in February 1981, consumer demand shifted dramatically to small cars. Partly as a result, imports increased from 18 percent to 28 percent of all auto sales during that same period.

- The auto industry is also burdened with stringent regulatory requirements which add hundreds of dollars to the cost of each vehicle and billions to the industry's capital requirements. Regulation also diverts engineering and managerial talent from the industry's adjustment problems.

The Industry Retains Tremendous Strengths

- Despite its unprecedented problems, the U.S. auto industry has tremendous economic and competitive strengths. It is now engaged in a $70-$80 billion program of new investment to modernize its plants and make its products more competitive. This program has already resulted in lower production costs and the introduction of technologically advanced, fuel-efficient, front-wheel drive models.

To address the problems and exploit the strengths of this important sector of our economy, the President has adopted a program of economic recovery, regulatory relief, and other important measures.

THE ECONOMIC RECOVERY PROGRAM

The cornerstone of the President's initiative for the auto industry is his Economic Recovery Program, including spending cuts, tax reforms, and general regulatory relief. There is simply no doubt that revitalization of the economy is the single most important remedy for the auto industry's problems.

Stimulating Sales, Profits, and Jobs

The Economic Recovery Program will provide immediate relief to the industry by stimulating the sales of new cars and trucks:

- Renewed growth in real incomes and higher employment will give consumers added income to buy new cars.

- Reduced interest rates will lower the costs of automobile financing, further encouraging new car sales.

- The investment tax credit provided under the Accelerated Cost Recovery System will increase commercial and fleet purchases of new cars and trucks.

- A stable economic environment will renew consumer confidence and encourage individuals who have deferred purchases in recent years to buy new cars and trucks.

The sales recovery induced by the President's program will improve the industry's financial condition and restore job opportunities:

- o Sales of new cars (foreign and domestic) should rise from approximately 9 million units in 1980 to 11 million units by 1982 and 12 million by 1983; truck sales should show similar growth.

- o Since every 500,000 units of additional car or truck sales generate nearly $1 billion in additional net operating income, by 1983 this should amount to an additional $6 billion per year (before taxes) for U.S. auto makers.

- o Increased production should permit the rehiring of most unemployed auto workers by the end of 1982.

Improving Productivity and Lowering Unit Costs

Over the longer term, the most important effect of the Economic Recovery Program will be to reduce production costs, thereby improving the industry's international competitive position:

- o Higher production volumes will mean lower unit costs due to economies of scale.

- o Lower inflation rates and reduced federal borrowing will lower the cost to the industry of capital necessary for plant modernization.

- o Tax reductions for individual taxpayers and lower rates of inflation should also moderate pressures for costly wage settlements and contribute to a more stable environment for collective bargaining and labor relations.

REGULATORY RELIEF

President Reagan is committed to reducing the excessive burdens of regulation throughout the economy and has established a Task Force on Regulatory Relief, chaired by the Vice President, to oversee that process. The Presidential Task Force and the Executive branch regulatory agencies will give high priority to relief for the auto industry. These measures will result in considerable savings in capital costs to the industry and even greater savings to consumers.

The President recognizes the importance of protecting health, safety, and the environment. Nevertheless, some of the regulations governing the auto industry's plants and products are unnecessarily stringent, and can be relaxed or rescinded with little or no cost to worthwhile regulatory goals. Other regulations now pending may be needed over the long run, but can be safely postponed until the industry has completed its structural adaptation.

Regulatory relief will benefit the auto industry and its customers by:

- o Reducing substantially the cost of producing and operating a new car or truck. This will not only benefit consumers but further stimulate sales.
- o Freeing capital needed for essential investments in new plant and equipment.
- o Improving U.S. manufacturers' international competitive position.

Working together, the Auto Industry Task Force, the Presidential Task Force on Regulatory Relief, and the major regulatory agencies have developed a four-part program:

(1) <u>34 Specific Regulatory Actions</u>

The Acting Administrators of the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) have today submitted to the <u>Federal Register</u> notices of intent to rescind, revise, or repropose a total of 34 specific regulations. EPA and NHTSA estimate that over the next five years these actions would save the auto industry more than $1.3 billion in capital that can be used instead for needed plant modernization. In addition, these actions will save consumers more than $8.0 billion over the next five years. The actions are described in considerable detail in the attachment.

(2) <u>Statutory Requirements for High Altitude Emissions</u>

As part of the proposed amendments to the Clean Air Act, EPA will ask Congress to eliminate the requirement that all passenger cars meet 1984 emissions standards at high altitudes. This action alone would save $38 million in capital costs and $1.3 billion in consumer costs over five years.

As shown in the table below, the combined savings generated by this legislative change and by the 34 specific regulatory actions just described amount to $1.4 billion in capital costs and $9.3 billion in consumer costs, or about $150 per car or truck.

Savings from Actions to be Taken by EPA and NHTSA
($ billions over 5 years)

Agency	Capital	Consumer
EPA	$0.8	$4.3
NHTSA	0.6	5.0
Total	$1.4	$9.3

(Estimates include savings for high altitude requirements and for 27 of 34 regulatory actions; estimated savings on remaining 7 actions are not available. Source of estimates: EPA and NHTSA (industry estimates typically run much higher).)

(3) Regulations Earmarked for More Intensive Review

EPA and NHTSA have identified additional regulations on which immediate action is not possible, but which are important candidates for regulatory relief. These regulations, also listed in the attachment, will be reviewed to see whether they should be revised or rescinded.

(4) Longer Range Reforms

The President's program to reduce the regulatory burden on the auto industry will be expanded to include:

- o Regulations administered by executive agencies other than EPA and NHTSA.
- o Regulations where potential cost savings are not as immediate as the other announced actions.
- o Additional changes in the Clean Air Act and other basic regulatory statutes.

OTHER POLICY INITIATIVES

The President's program of economic recovery and regulatory relief will materially improve the condition of the U.S. auto industry, but more can--and will--be done to reinvigorate this industry:

Antitrust

o The President has asked the Attorney General to expedite consideration of the industry's request to vacate the 1969 "smog decree" as soon as a pending appeal has been concluded. The decree prohibits certain joint statements by the industry to governmental agencies concerned with auto emission and safety standards and exchanges of certain technical information on emission control devices.

o The Department of Transportation (NHTSA) will waive the prohibition on joint submissions on all of its future regulatory initiatives.

o EPA will adopt a liberal waiver policy and consider requests to make joint statements on a case-by-case basis.

o The Federal Trade Commission has on its own initiative withdrawn subpoenas for records in its long-standing investigation of the auto industry. The FTC has concluded that substantial changes in the industry have occurred since the investigation began in 1976.

Labor

o The Department of Labor is proposing to provide increased assistance to displaced auto workers by restructuring Federal programs for retraining and relocation through the existing employment and training delivery system.

Accelerated Federal Procurements

o The Administration is proposing to accelerate the Federal procurement of motor vehicles by $100 million in the current fiscal year, an action which would also reduce operating costs of the federal automobile fleet.

. . . .

In summary, the President's program addresses those fundamental problems of the industry fostered by the Government itself, thereby restoring needed sales, jobs, and profitability in the short term, while also encouraging the retooling, productivity improvements, and cost reductions that are critical for the industry over the longer term.