Case Number: 2016-0152-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the Clinton Presidential Library Staff.

Folder Title: Chron File - February 1994 #2 [8]				
Staff Office-Individual: Defense Policy-Bell, Robert				
Original OA/ID Number: 263				
Row: 31	Section: 3	Shelf: 4	Position: 1	Stack: V

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. memo	For Executive Secretary, National Security Council. Subject: Significant Military Exercise - NOBLE STALLION 1. (1 page)	02/16/1994	P1/b(1)
001b. cable	re: Part I Significant Military Exercise Brief. [Noble Stallion 1] (2 pages)	01/20/1994	P1/b(1)
002. memo	Duplicate of vz4542_001. (1 page)	02/22/1994	P3/b(3)
003a. memo	For Anthony Lake from Keith Hahn. Subject: Naval Operations. Record ID: 9420262. (1 page)	02/28/1994	P1/b(1)
003b. memo	For Robert McAleer from William Itoh. Subject: Naval Operations. Record ID: 9420262. (1 page)	02/28/1994	P1/b(1)
003c. memo	For Executive Secretary, National Security Council from Robert McAleer. Subject: Naval Operations. (1 page)	02/28/1994	P1/b(1)
003d. memo	For Robert McAleer from Marc Grossman. Subject: U.S. Freedom of Navigation (FON) Program. (1 page)	01/14/1994	P1/b(1)
003e. memo	For the Under Secretary of Defense for Policy from Vice Admiral, R. C. Macke. Subject: Freedom of Navigation. (1 page)	12/15/1993	P1/b(1)
003f. cable	re: Iranian Straight Baselines. (3 pages)	10/28/1993	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 263

FOLDER TITLE:

Chron File - February 1994 #2 [8]

2016-0152-F
vz4543

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 26, 1994

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL

FROM: KEITH HAHN

SUBJECT: Significant Military Exercise ARCTIC SAREX 94

Attached at Tab I is a proposed memorandum to the Executive Secretary, Department of Defense, approving military exercise ARCTIC SAREX 94. At Tab II Defense recommends approval and State concurs.

ARCTIC SAREX 94 is a search and rescue exercise designed to expand U.S. contacts with Russia and is a priority event under the U.S.-Russian Federation military-to-military contacts program. Forces from the U.S., Russia and Canada will conduct a coordinated joint and combined SAR mission near Eielson Air Force Base, Alaska March 20-26.

The critical cancellation date is March 4, 1994.

Concurrence by: John Beyrle
In draft

RECOMMENDATION

That you sign the memorandum at Tab I approving the exercise.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR COL. ROBERT P. MCALEER
Executive Secretary
Department of Defense

SUBJECT: Significant Military Exercise ARCTIC SAREX 94

Military exercise ARCTIC SAREX 94 is approved.

William H. Itoh
Executive Secretary

FOR OFFICIAL USE ONLY

1455

OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1000

23 FEB 1994

MEMORANDUM FOR EXECUTIVE SECRETARY, NATIONAL SECURITY COUNCIL

SUBJECT: Significant Military Exercise - ARTIC SAREX 94

The Department of Defense recommends NSC approval of the attached Significant Military Exercise Brief, Exercise ARTIC SAREX 94. The Department of State concurs with this recommendation.

Please note the critical cancellation date for this exercise is 4 March 1994.

Robert P. McAleer

Robert P. McAleer
Executive Secretary

Attachment:
As stated

UNCLASSIFIED

JOINT STAFF
INFO SERVICE CENTER

ROUTINE ZYUW RUHQSGG1037 0250530
R 250530Z JAN 94 ZYB
FM USCINCPAC HONOLULU HI//J3//
TO JOINT STAFF WASHINGTON DC//J7-JETD//
INFO AMEMBASSY MOSCOW AMEMBASSY OTTAWA
SECSTATE WASHINGTON DC//PM-ISO//
SECDEF WASHINGTON DC//USDP:SP/EP/ASD(ISA:EAPR)/
ASD:PA/PM-ISO/DUSK:SR//
JOINT STAFF WASHINGTON DC//J3/J4/J5//
DA WASHINGTON DC//DAMO-ODO//
COMDT COGARD WASHINGTON DC//G-R//
USCINCTRANS SCOTT AFB IL//TCJ3/J4//
CINCPACFLT PEARL HARBOR HI//N328//
HQ PACAF HICKAM AFB HI//DOX//
CDRUSARPAC FT SHAFTER HI//APOP/APOP-EX/OP//
COMMARFORPAC//G3// COMALCOM ELMENDORF AFB AK//J3//

UNCLAS //N03500//
SECTION 01 OF 02
EXER/ARTIC SAREX 94//
MSGID/GENADMIN/USCINCPAC J3//
SUBJ/PART I SIGNIFICANT MILITARY EXERCISE BRIEF//
AMPN/POC/CHUCK ROYCE/COL/USCINCPAC J35/477-5294//
RMKS/1. EXERCISE NAME: ARTIC SAREX 94
2. GEOGRAPHIC AREA: ALASKA
3. DATES: 20-26 MAR 94
4. CRITICAL CANCELLATION DATE: 4 MAR 94
5. TYPE: FIELD TRAINING EXERCISE
6. PURPOSE: ARTIC SAREX 94 (AS94) IS A USCINCPAC DIRECTED FIELD TRAINING EXERCISE (FTX) DESIGNED TO EXECUTE COMMANDER, ALASKAN COMMAND (COMALCOM) AUTHORITY AND RESPONSIBILITY FOR MILITARY SEARCH AND RESCUE (SAR) IN ALASKA. THIS EXERCISE SUPPORTS USCINCPAC INTENT TO EXPAND CONTACTS WITH THE RUSSIAN REPUBLIC AND IS A PRIORITY EVENT UNDER THE U.S.-RUSSIAN FEDERATION MILITARY-TO-MILITARY CONTACTS PROGRAM. FORCES FROM THE U.S., RUSSIA AND CANADA WILL CONDUCT A COORDINATED JOINT AND COMBINED SAR MISSION IN THE DESIGNATED OPERATING AREA NEAR EIELSON AFB, FAIRBANKS, ALASKA.

A. THE FOLLOWING JOINT MISSION ESSENTIAL TASKS WILL BE TRAINED DURING THE EXERCISE:

(1) PC-I: PROVIDE HUMANITARIAN ASSISTANCE AND DISASTER RELIEF.

(2) PC-I 504: MAINTAIN REQUIRED COMMAND, CONTROL AND COMMUNICATIONS.

(3) PC-I 530: DEVELOP/COORDINATE OPERATIONS CONCEPT WITH COUNTRY TEAM/USG AGENCIES.

(4) PC-I 539: COORDINATE WITH FOREIGN GOVERNMENT AGENCIES.

B. OVERALL EXERCISE OBJECTIVES ARE TO:

(1) TEST AND EVALUATE MUTUAL SEARCH AND RESCUE PROCEDURES WITH FRIENDLY FORCES.

(2) MAINTAIN FORCE READINESS TO ASSIST IN PEACETIME HUMANITARIAN ASSISTANCE ACTIVITIES.

(3) PROMOTE RATIONALIZATION, STANDARDIZATION AND INTEROPERABILITY FOR PEACETIME MISSIONS BETWEEN U.S., RUSSIAN, AND CANADIAN SAR FORCES IN THE ARTIC AREAS OF THE NORTHERN PACIFIC REGION.

7. OPLAN EXERCISED: NONE
8. POLITICAL IMPLICATIONS: THIS EXERCISE IS A FOLLOW-ON TO THE SEARCH AND RESCUE EXERCISE HOSTED BY RUSSIA AT TIKSI DURING 19-24 APR 93. AT THE TIKSI SAREX, THE COMMANDER OF 11AF DISCUSSED A FOLLOW-ON EXERCISE IN ALASKA IN 94. THIS IS THE FIRST YEAR THE CANADIANS WILL PARTICIPATE. EXERCISE IS EXPECTED TO BECOME AN ANNUAL EVENT IN THE ARTIC REGION.
9. POLITICO-MILITARY SCENARIO SUMMARY: THE SCENARIO USED FOR THIS EXERCISE IS A CRASH OF A COMMERCIAL PASSENGER AIRCRAFT IN A RUGGED, REMOTE LOCATION OF THE HIGH ARTIC. SEARCH OPERATIONS TO LOCATE THE CRASH SITE WILL BE SIMULATED. INITIAL RESPONSE FROM THE U.S. INCLUDES REQUESTS FOR ASSISTANCE FROM RUSSIA AND CANADA. FIXED WING AIRCRAFT FROM ALL THREE COUNTRIES WILL DROP HOSPITAL AND PARARESCUE PERSONNEL TO THE 50 VICTIMS ON THE FIRST DAY. ON DAY TWO, U.S. AND RUSSIAN HELICOPTERS WILL REACH THE CRASH SITE AND EXTRACT PERSONNEL.
10. SUMMARY OF KEY EXERCISE EVENTS:

DATES	EVENTS/LOCATION
20 MAR 94	EXERCISE PARTICIPANTS ARRIVE
21 MAR 94	BRIEFINGS AND AIRCRAFT PREPARTION
22 MAR 94	FIRST EXERCISE DAY - FIXED WING OPS
23 MAR 94	SECOND EXERCISE DAY - HELICOPTER RECOVERY - AFTER ACTION REVIEW
24 MAR 94	REDEPLOYMENT PREP
25 MAR 94	ARTIC SAR CONFERENCE AT ELMENDORF FOR KEY PERSONNEL
26 MAR 94	REDEPLOYMENT

11. DIRECTING HEADQUARTERS: USCINCPAC
12. PARTICIPATING COMMANDS, HEADQUARTERS, AND FORCES:

A. UNITED STATES

UNIT		AIRCRAFT/EQUIPMENT	NO OF PERSONNEL
USARPAC-6TH INFANTRY DIVISION			75
	RESPONSE CELL		
	2ND BRIGADE		
	C/228 AVN	2 X CH-47	
	283 MEDEVAC	2 X UH-1	
	4/123 AHB	2 X UH-60	
USCGD17 (COAST GUARD DISTRICT 17)		1 X C-130 1 X H-60	12
PACAF	11AF RESPONSE CELL		50
	11AF RESCUE COORDINATION CENTER		
	354 FIGHTER WING		
	353 FIGHTER SQUADRON		
AK ANG	144 TAS	1 X C-130	20
	210 RQS	1 X HC-130 2 X HH-60	

B. FRIENDLY NATIONS:

CANADA	2 X C-130	45 (INCLD 15 SAR TECHS)
AIRCOM, WINNIPEG	1 X TWIN OTTER	
ATGHQ, TRENTON	1 X MAJAID KIT (HOSPITAL)	
RUSSIA	1 X AN-124 1 X AN-12 3 X MI-8 1 X ABN HOSPITAL	50

C. TOTAL: 252 PERSONNEL (157 U.S., 45 CANADIAN, 50 RUSSIAN).
U.S. TOTAL BREAKS DOWN TO: USA 75
USCG 12
USAF 50
AKANG 20

13. SCOPE OF ANTICIPATED PARTICIPATION

A. OTHER UNIFIED COMMAND: NONE

B. UNASSIGNED FORCES OF THE U.S. MILITARY SERVICES: NONE

C. ALLIED NATIONS: CANADA, RUSSIA

D. OTHER FEDERAL AGENCIES OR DEPARTMENTS: FAA, STATE

//
BT
UNCLAS //N03500//
FINAL SECTION OF 02
EXER/ARTIC SAREX 94//
MSGID/GENADMIN/USCINCPAC J3//
SUBJ/PART I SIGNIFICANT MILITARY EXERCISE BRIEF//
RMKS/
DEPARTMENT, CUSTOMS.
14. SIMULATED USE OF NUCLEAR OR OTHER UNCONVENTIONAL WEAPONS: NONE
15. COUNTER DRUG OPERATIONS OR TRAINING: NONE
16. COORDINATION WITH OTHER UNIFIED, OR SERVICE COMMANDS, GOVERNMENTAL DEPARTMENTS, AGENCIES, OR REPRESENTATIVES: USDAO MOSCOW, ASST SECRETARY OF DEFENSE FOR PUBLIC AFFAIRS, US PACIFIC COMMAND OFFICE OF PUBLIC AFFAIRS.
17. RECOMMENDED PUBLIC AFFAIRS POLICY: RECOMMEND ACTIVE PUBLIC

JOINT STAFF V1 27
ACTION J7-JETD(3) (U,8,F)
INFO NMCC:CWO(1) J3(3) NIDS(1) J4(5) J4:SMEDENG-J(1)
J7(6) J5(1) J5:NAB-J(1) QUAL CONTROL(1) J7:JECG-J(1)
J6E-J(1) J6U-J(1) J1:PPPD-J(1)
+NEACP

SECDEF V2 17
ACTION (U,8,F)
INFO PJBD(1) SECDEF-N(1) USDP:FILE(1)
USDA:TS(1) USDA:IP(2) ATSD:PA(1) USDP:NS&CP(1)
USDP:DASDEUR(1) USDP:DSAA(1) USDP-CH(1)
USDP:PPEAP(1) N&IA(1) USDP:EP(1) USDP:EUR POL(1)
USDP:NATOPOL(1) USDP:RSA(1)
+USDP:CCC
+SAFE

I-94/35333

UNCLASSIFIED

JOINT STAFF
INFO SERVICE CENTER

DIV	ACT	INFO
I-7 EA		
VI-7 EA		
ORD		
JETD		
EAD		
JDD		
MED		
CWPD		
PSD		
ISID		
REA		
ISSIS		
MILSEC		
FILE		

AFFAIRS ROLE TO PUBLICIZE THE COOPERATION BETWEEN THE U.S., CANADIAN, AND RUSSIAN MILITARIES IN AN ARTIC SEARCH AND RESCUE EXERCISE.
OBJECTIVES:
A. VALIDATE THE CAPABILITY FOR JOINT U.S./RUSSIAN/CANADIAN MILITARY SEARCH AND RESCUE OPERATIONS IN AN ARTIC ENVIRONMENT.
B. FOCUS ON US FORCES/CF/RUAF INTEROPERABILITY IN SEARCH AND RESCUE EFFORTS.
C. EMPHASIZE THAT THE EXERCISE IS THE FIRST INVOLVING COMBINED RUSSIAN, U.S. AND CANADIAN FORCES ON U.S. SOIL.
D. HIGHLIGHT THE INCREASED COOPERATION AND JOINT TRAINING OPPORTUNITIES BETWEEN U.S., CANADA AND RUSSIA.
E. DEMONSTRATE THAT THE US PACIFIC COMMAND MILITARY-TO-MILITARY CONTACT PROGRAM, WHICH INCLUDES THIS SAREX, IS A MEANS TO ENHANCE STABILITY ACROSS THE ASIA-PACIFIC REGION.
18. GENERAL POLICY CONSIDERATIONS
A. DIPLOMATIC INFORMATION: THIS EXERCISE IS STRONGLY SUPPORTED BY THE RUSSIANS. RUSSIAN SEARCH AND RESCUE PERSONNEL WERE VERY FRIENDLY AND COOPERATIVE DURING THE TIKSI SAREX (APRIL 93) AND DURING LAST AUGUST'S SAREX CONDUCTED BETWEEN THE U.S. COAST GUARD AND THE RUSSIAN MARITIME SEARCH AND RESCUE FORCES AT PETROPAVLOVSK, RUSSIA AND KODIAK, ALASKA.
B. THE EXERCISE IS UNCLASSIFIED IN ITS ENTIRETY. CLASSIFIED INFORMATION AND EQUIPMENT WILL BE SAFEGUARDED. U.S. EXERCISE PARTICIPANTS WILL RECEIVE A SECURITY AND FOREIGN DISCLOSURE BRIEFING PRIOR TO THE START OF THE EXERCISE.
19. PERCEPTION MANAGEMENT: THIS EXERCISE PROVIDES AN EXCELLENT FORUM FOR FOSTERING A COOPERATIVE SPIRIT BETWEEN U.S. AND CANADIAN AND RUSSIAN MILITARY PERSONNEL. MILITARY PERSONNEL AND EQUIPMENT CAPABILITIES CAN BE DEMONSTRATED AND EXERCISED DURING A HUMANITARIAN OPERATION BY ALL THREE COUNTRIES.
20. ADDITIONAL REMARKS: STRATEGIC AIRLIFT IS NOT NEEDED FOR THIS YEAR'S EXERCISE. FUNDING FOR HOSTING THE RUSSIANS IS EXPECTED TO COME FROM THE NUNN-LUGAR ACCOUNT.// BT

~~SECRET~~ ~~SECRET~~ 1490

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 26, 1994

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL

FROM: KEITH HAHN

SUBJECT: Significant Military Exercise NOBLE STALLION 1

Attached at Tab I is a proposed memorandum to the Executive Secretary, Department of Defense, approving military exercise NOBLE STALLION 1. At Tab II Defense recommends approval and State concurs.

NOBLE STALLION 1 is a bilateral multi-warfare exercise designed to improve U.S. Navy, U.S. Air Force, Israeli Navy and Israeli Air Force military capabilities in a variety of surface, subsurface, ground and air warfare operations. It will take place in the eastern Mediterranean and over Israeli airspace and training ranges March 8-24.

The critical cancellation date is March 2, 1994.

Concurrence by: David Satterfield

RECOMMENDATION

That you sign the memorandum at Tab I approving the exercise.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

DECLASSIFIED
E.O. 13526
White House Guidelines, September 11, 2006
By VL NARA, Date 10/3/2016
7-16-0152-F

~~SECRET~~
Declassify on: OADR ~~SECRET~~

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR COL. ROBERT P. MCALEER
Executive Secretary
Department of Defense

SUBJECT: Significant Military Exercise NOBLE STALLION 1

Military exercise NOBLE STALLION 1 is approved.

William H. Itoh
Executive Secretary

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. memo	For Executive Secretary, National Security Council. Subject: Significant Military Exercise - NOBLE STALLION 1. (1 page)	02/16/1994	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 263

FOLDER TITLE:
Chron File - February 1994 #2 [8]

2016-0152-F
vz4543

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001b. cable	re: Part I Significant Military Exercise Brief. [Noble Stallion 1] (2 pages)	01/20/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 263

FOLDER TITLE:

Chron File - February 1994 #2 [8]

2016-0152-F
vz4543

RESTRICTION CODES

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P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
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P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
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RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

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b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

UNCLASSIFIED

JOINT STAFF
INFO SERVICE CENTER

PRIORITY
ZYUW RUSNMHS0005 0261308
P 261304Z JAN 94
FM USCINCEUR VAIHINGEN GE//ECJ3-EX//
TO JOINT STAFF WASHINGTON DC//J7-JETD//
INFO JOINT STAFF WASHINGTON DC//J5-PM//
SECDEF WASHINGTON DC//USDP:SP/EP/ASD:ISP/ASD(ISA:NESAR)//
SECDEF WASHINGTON DC//ASD:PA//
SECSTATE WASHINGTON DC//PM-ISO//
CMC WASHINGTON DC CNO WASHINGTON DC
HQDA WASHINGTON DC
CINCUSNAVEUR LONDON UK//N31/N51//
CINCUSAREUR HEIDELBERG GE//AEAGC-EX//
HQ USAFE RAMSTEIN AB GE//XOOE// SIXTHFLTREP GAETA IT
COMSIXTHFLT
HQ FMFEUR DESIGNATE BOEBLINGEN GE//COS//
AMEMBASSY TEL AVIV//USDAO/ALUSNA/AARMA//
USCINCEUR ALT SHAPE BE//SPASAC//
USCINCEUR VAIHINGEN GE//ECJ3-EX/ECJ5-M//
HQ USEUCOM LO WASHINGTON DC

UNCLAS
>>>>>>
SUBJECT/CHANGE 1, PART 1 SIGNIFICANT MILITARY EXERCISE BRIEF (U)
//
REF/A/MCM-71-92/21MAY92//
REF/B/CINCEUR MSG/201304Z JAN 94/PART 1 SIGNIFICANT MILITARY
EXERCISE BRIEF (U)//
REF/C/CINCEUR MSG/251304Z JAN 94/SAB (U)//
POC/KEITH SELF/LTC/DSN 314-430-4159/-/HQ USEUCOM ECJ3-EX//
RMKS/1. (U) REQUEST THE FOLLOWING CHANGE BE MADE TO THE INDICATED
PARAGRAPH IN REFERENCE B, THE SMEB FOR EXERCISE NOBLE STALLION:
PARAGRAPH 7. (U) OPLAN EXERCISED: NONE.
2. (U) THIS MESSAGE SUPERCEDES REF C.// BT

DIV	ACT	INFO
J-7 EA		
VJ-7 EA		
ORD		
JETD		
EAD		
JOD		
MED	1	
[illegible]	27	
JED		
[illegible]		
PEA		
[illegible]		
[illegible]		
[illegible]	9	

HQUSEUCOMLO...INFO

JOINT STAFF V1 (U,6,7,8,F)
ACTION J7-JETD(3)
INFO SJS-N(1) CJCS:PA-J(1) NMCC:CWO(1) NIDS(1)
J4:LPEILDI-J(1) J4(5) J4:SMEDENG-J(1) J7(6) J5(1)
J5:STRAT-J(1) QUAL CONTROL(1) J7:JECG-J(1)
SHAPE LNO(1) J6E-J(1) J5:CEEB-J(1)
+NEACP

SECDEF V2 (U,8,F)
ACTION
INFO SECDEF-N(1) USDP:FILE(1) USDA:TS(1)
USDP:NS&CP(1) USDP-CH(1) USDP:PPEAP(1) N&IA(1)
USDP:EP(1) USDP:RSA(1)
+USDP:CCC
+SAFE

Robert Bell

NATIONAL SECURITY COUNCIL
WASHINGTON. D.C. 20506

February 28, 1994

MEMORANDUM FOR SANDY BERGER, BO CUTTER, NSC SENIOR DIRECTORS, LEON FUERTH, KATIE MCGINTY AND GORDON ADAMS

FROM: BOB FAUVER AND HELEN WALSH RCF HW

SUBJECT: Next Steps in FY 95 Budget Request for the Multilateral Development Banks

Treasury and State are coordinating the legislative strategy for our budget request for the multilateral development banks. Recall that Congressional underfunding of earlier requests resulted in large arrears to the MDBs (over $800 million). Thus, our FY95 request comes at a critical juncture. If it is again underfunded, we will need to make some unpalatable choices, such as renegotiating our MDB replenishments, withdrawing or limiting our participation in the regional MDBs and -- regardless of the choice -- accepting a weaker influence in these institutions.

Treasury and State's basic legislative strategy is to convince the Hill that the MDBs are a good value and are effective in promoting key U.S. objectives (e.g., exports, the environment, reduction of poverty, foreign policy goals in key regions like the Middle East and FSU, etc.). They also want to demonstrate to the Hill the high level of Administration support for this request. (This was sorely lacking in the Reagan and Bush Administrations when the MDBs suffered their largest cuts.) The intent is to sell the MDB request on a retail level -- identifying, especially on the House side, those members that would have an interest in supporting the MDBs.

At the same time, the Administration is trying to provide political cover for Congressional members. We understand that the Vice President has been actively working with environmental groups to defuse the misguided campaign by some hard line groups that "fifty years is enough", i.e., the MDBs hurt the environment and should be dismantled. Treasury has also been working within the MDBs to secure reforms in areas that have been criticized by NGOs and PVOs (e.g., greater transparency, more attention to environmental assessments).

In the weeks and months ahead, it would be extremely helpful if senior White House officials would use speeches, interviews, etc. to speak out in support of our MDB budget request. Our window of opportunity for influencing the debate is between now and June or July, depending on how fast the legislative process works.

In this connection, <u>we urge you to consider using upcoming events for appropriate Presidential and Vice Presidential statements in support of the MDBs</u>. For example:

- <u>G-7 Jobs Conference</u>: could include an early Presidential statement of our support for the work of the multilateral development banks in creating economic conditions conducive to growth and jobs.

- <u>Vice President Gore's Trip to Latin America</u>: could stress the important role that the Inter-American Development Bank and the World Bank have played in resolving the debt crisis and promoting growth and good governance in Latin America.

- <u>D-Day Commemoration</u>: could applaud the role the World Bank played in rebuilding Western Europe and highlight the similar challenge for the World Bank and the EBRD in Eastern Europe.

In addition, when NSC provides clearance for various agencies' Cabinet speeches or testimony, we need to be vigilant for opportunities for similar statements.

Attached are papers that you might find helpful: timelines for Congressional consideration of our request and upcoming MDB meetings (TAB 1), an updated graphics package which Treasury intends to hand out to public and the Hill (TAB 2), and a set of talking points and background that you may wish to use (TAB 3). As always, we would be happy to provide additional information or help you draft any talking points on this.

Attachments
As Stated

CONGRESSIONAL TIMELINE, 1994
MULTILATERAL DEVELOPMENT BANKS

Appropriations Process:

February 7	Administration's budget submitted to Hill. Treasury briefings for Senate and House Budget Committee, Senate Foreign Relations Committee and House Banking Committee.
March ~~16~~ 10	Secretary Bentsen testifies before House Appropriations Committee, Sub-Committee on Foreign Operations (Congressman Obey, Chair).
March 22	Secretary Bentsen testifies before the Senate Appropriations Committee, Sub-Committee on Foreign Operations (Senator Leahy, Chair).
Late May/ Early June	House Appropriations Sub-Committee and full Committee mark-up MDB legislation. House floor takes up bill.
September	Senate Appropriations Committee marks-up legislation and floor action takes place.
October	House/Senate Conference on legislation.

Authorization Process:

March	Administration submits authorizing legislation for the Global Environment Facility to House and Senate.
April	Administration submits authorizing legislation for IDB replenishment to House and Senate.
May	Administration submits authorizing legislation for African Development Fund replenishment to House and Senate.
June	Possible hearings by House Banking Committee (Sub-Committee on International Development) on Administration's authorizing requests.
June/July	Senate Foreign Relations Committee marks-up MDB authorizing legislation (probably will be included in the Foreign Assistance Act).
July	House Banking Committee marks-up MDB authorization legislation.
July/September	Floor action in House.
September	Floor action in Senate
September/October	House/Senate Conference.

KEY UPCOMING MDB MEETINGS AND MAIN OBJECTIVES

Mar 7-8 — IDB Eighth Replenishment Negotiations (Washington)

- arrive at a funding agreement which maximizes concessional flows to the poorest countries in the region (which may require further negotiations, since achieving an agreement consistent with our goals may take more time than anticipated)

Apr 11-13 — IDB Annual Meeting (Guadalajara)

- sign eighth replenishment agreement upon successful completion of negotiations
- ensure implementation of management and loan quality reforms

Apr 18-19 — EBRD Annual Meeting (St. Petersburg)

- obtain more rapid disbursement of funds
- ensure compliance with the Bank's 60/40 private/public sector mandate
- encourage continued broadening of the loan portfolio among the countries of operation
- stress the importance of the Bank's political mandate as an integral part of lending policy

Apr 25-26 — World Bank Development Committee (Washington)

- press for the expansion of the Bank's information disclosure policy, especially with the IFC
- encourage increased NGO out-reach and participation
- seek further "belt-tightening" of the Bank's administrative budget
- seek improvements in environmental assessments

May 3-5 ADB Annual Meeting (Nice)

- sign GCI IV upon successful completion of negotiations

- obtain ADB adoption of an inspector general function, an information policy and good governance language in the GCI IV.

- seek enhanced environmental monitoring and greater private sector participation in ADB operations

Apr 22-23 AfDB Seventh Replenishment Negotiations (Geneva)

- finalize an Agreement which stresses improved loan quality and commits the US to only $105 million in each of three years

- insist on creation of an inspection function, an information policy, and inclusion of good governance lending criteria

May 11-13 AfDB Annual Meeting (Nairobi)

- sign AfDF seventh replenishment agreement upon successful completion of negotiations

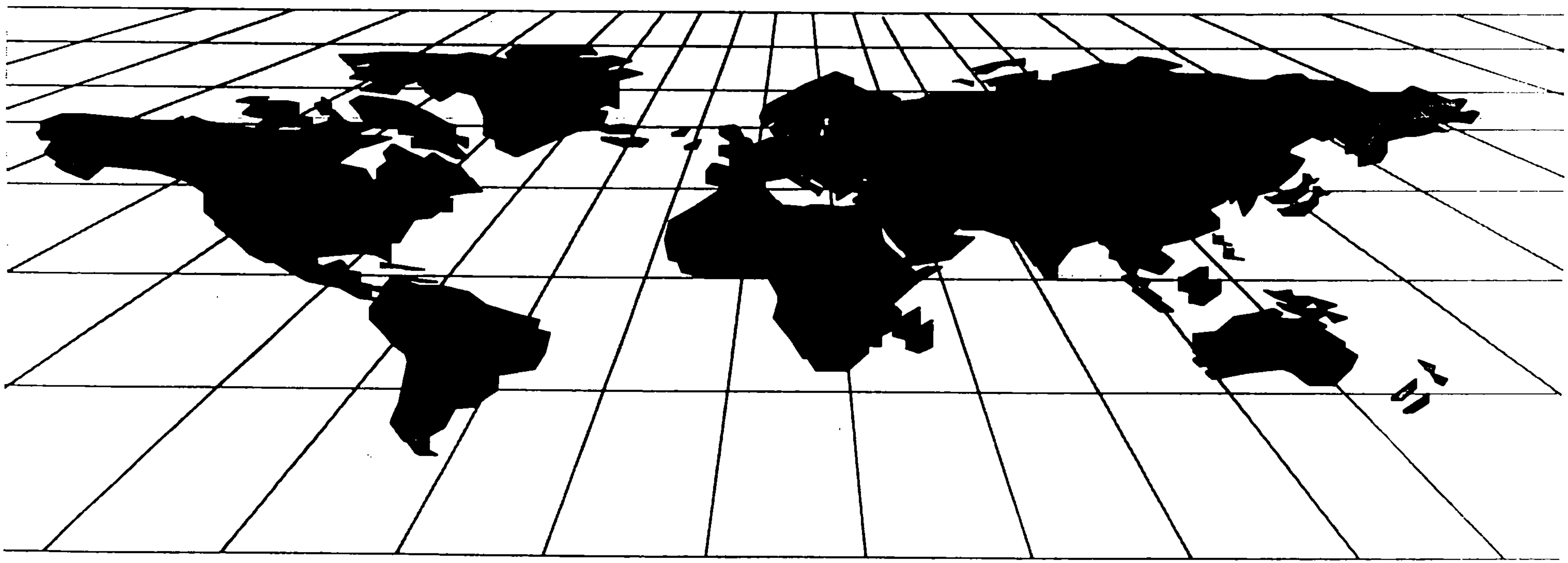
- press for improved transparency and accountability of the AfDB overall

- avoid management moves for an early capital increase (pre-1996) for the Bank as a way to solve its weak loan performance

SEODF 7541

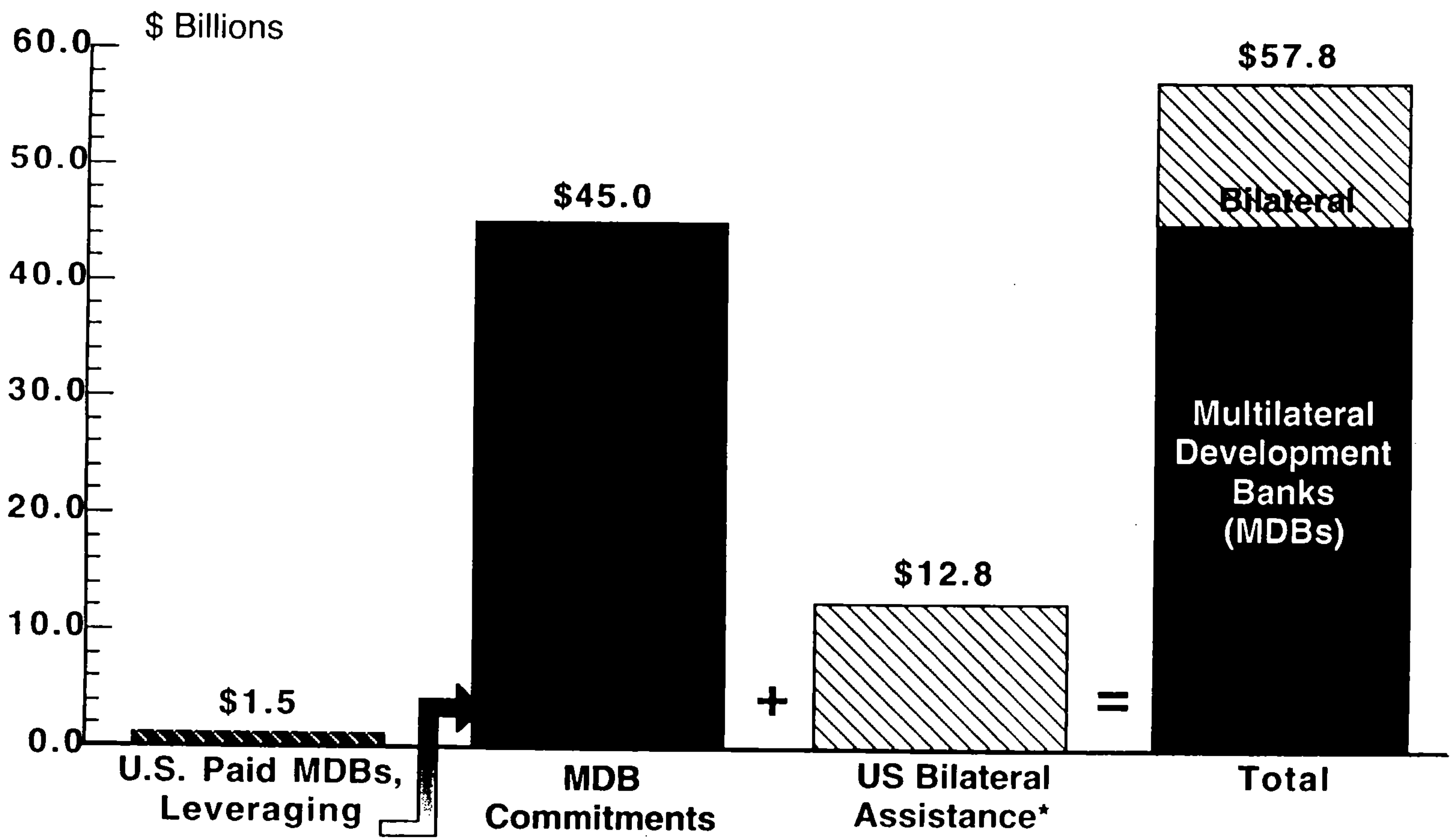
Multilateral Development Banks (MDBs)

FY 1995 Budget: Good Value for the U.S.
MDBs Serve U.S. Interests



U.S. Support for Developing Countries

(1993, US$ billions)



* Figure is estimated USFY 1993 obligations. It includes PL480 and economic and military assistance.

Multilateral Development Banks (MDBs) Support

- Healthy World Economy
- Democracy
- Poverty Reduction
- Population and Health
- Environment
- Physical Infrastructure
- Economic Policy Reform

Agenda for Change
What have we done?

- **Lower Administrative Costs** (e.g., eliminating first-class travel)
- **Easier Access to Information**
- **Improved Oversight and Inspection**

But we want more progress:

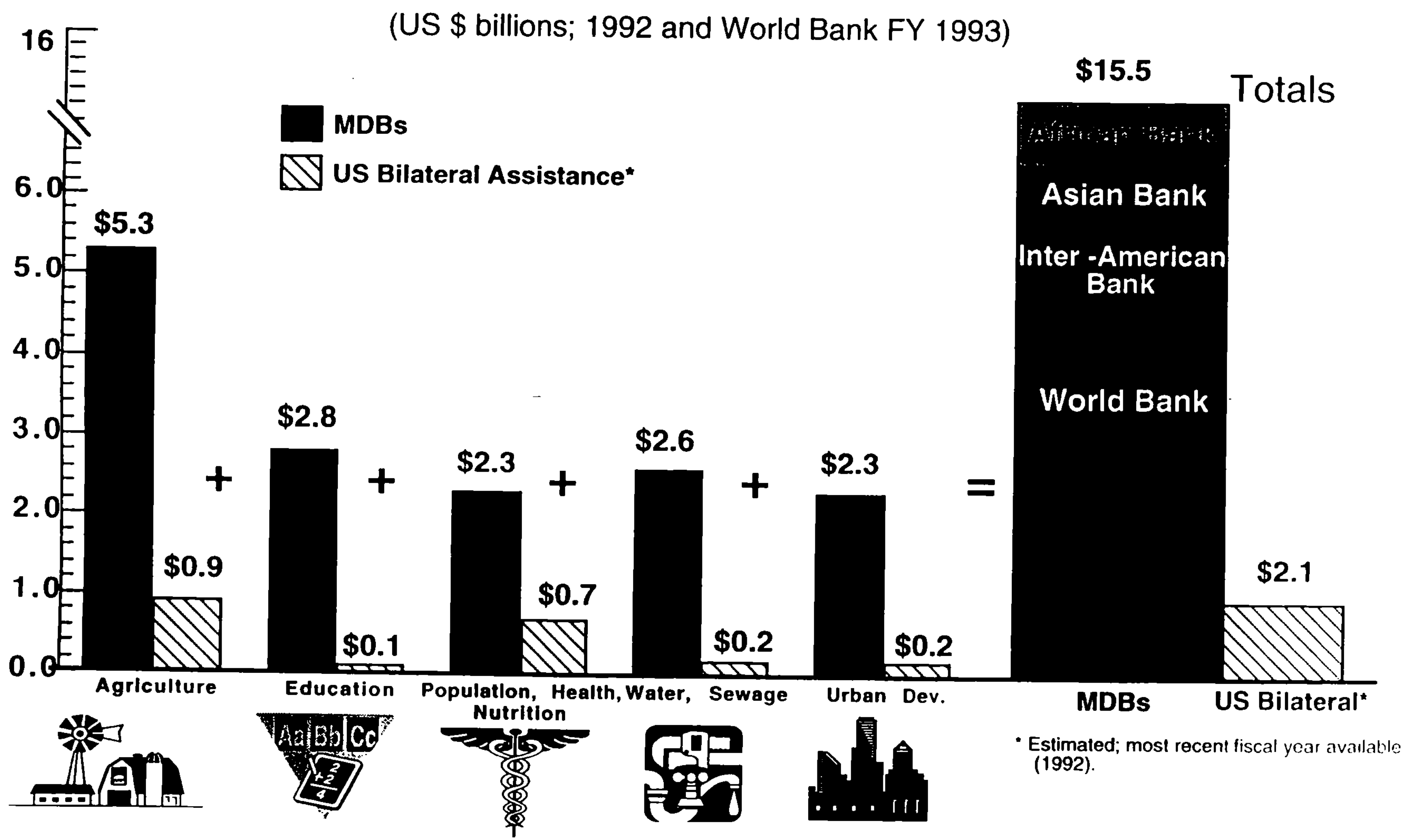
Sustainable Development (more protection for the environment)

Stronger U.S. Export Performance

More Help for the Poor (health, education, population)

Better Loan Quality

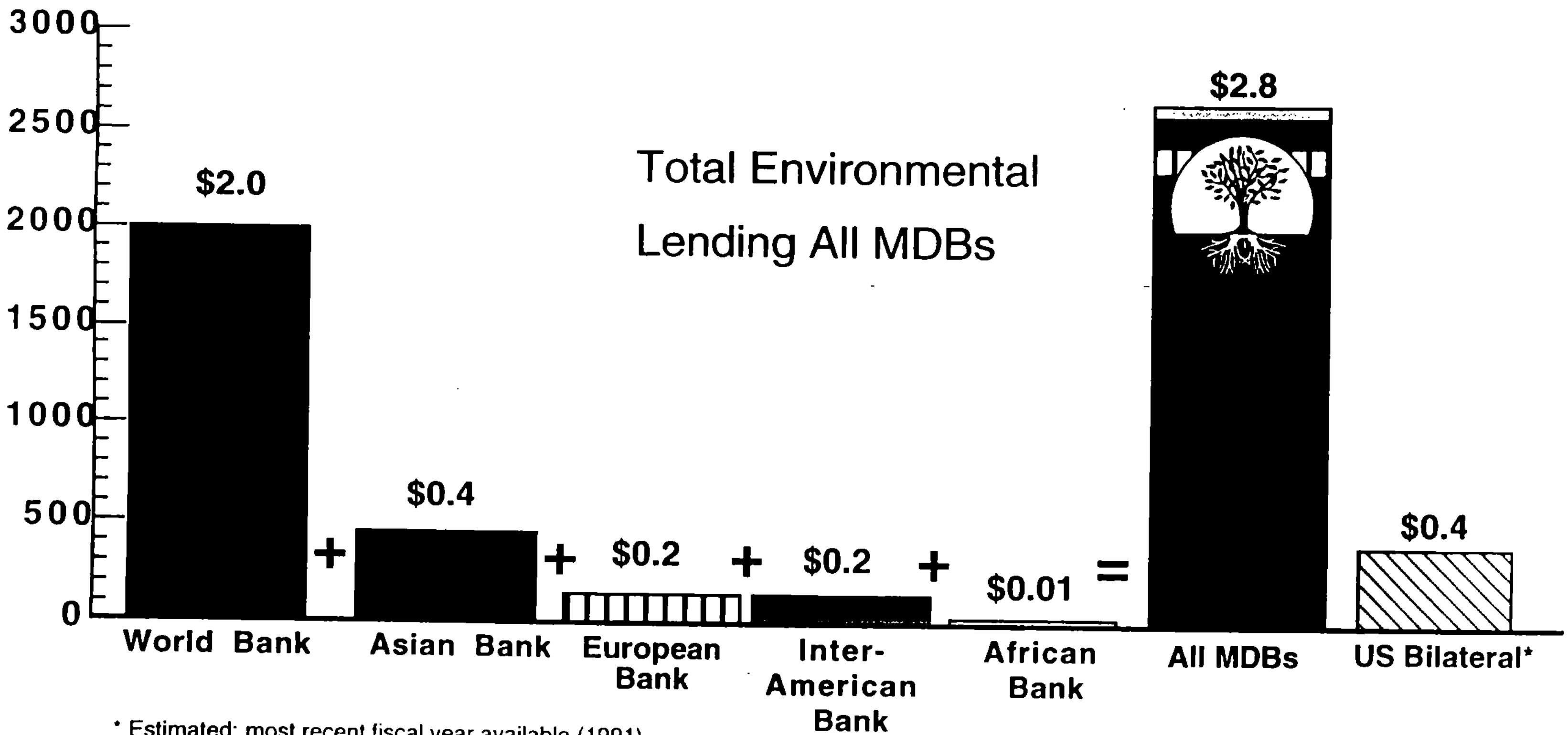
MDBs Support Human Needs



* Estimated; most recent fiscal year available (1992).

MDBs Support The Environment

(US $ billions; 1992 and World Bank FY 1993; estimated environmental lending)



* Estimated; most recent fiscal year available (1991).

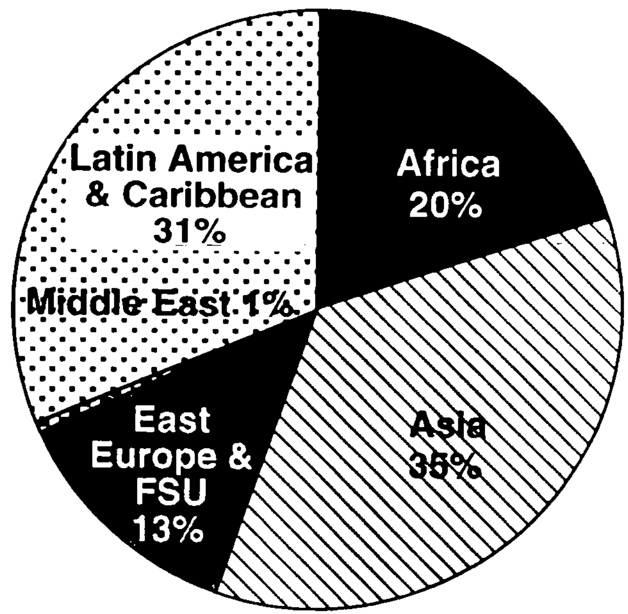
MDBs Respond Rapidly to Important U.S. Initiatives

- Support for democracy and economic transformation in Eastern Europe and former Soviet Union.
- $1.8 billion in environmental loans to Mexico by World Bank over next three years.
- Emergency Rehabilitation Program for Gaza established by World Bank.
- $1 billion to South Africa per year planned by World Bank.

MDBs commit $45 billion.
U.S. cost is only $2.0 billion.

$2.0 billion U.S.
pays MDBs
(FY 1995)

$45 billion in MDB commitments
to regions of the world



Lending By Region

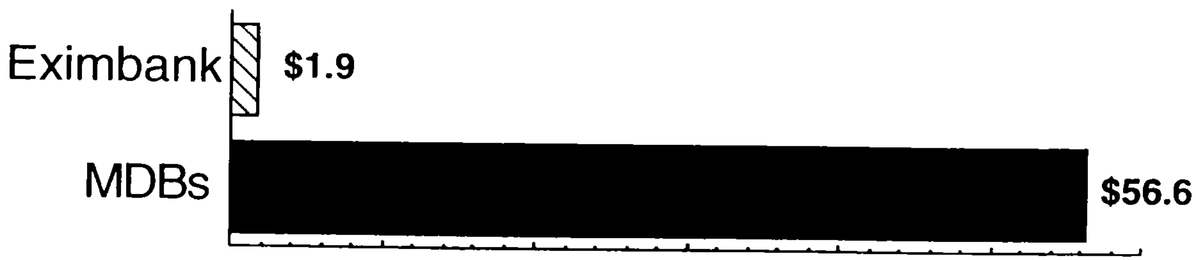
MDBs Support Important Commercial Ties

Economic Assistance to 10 key LDCs*

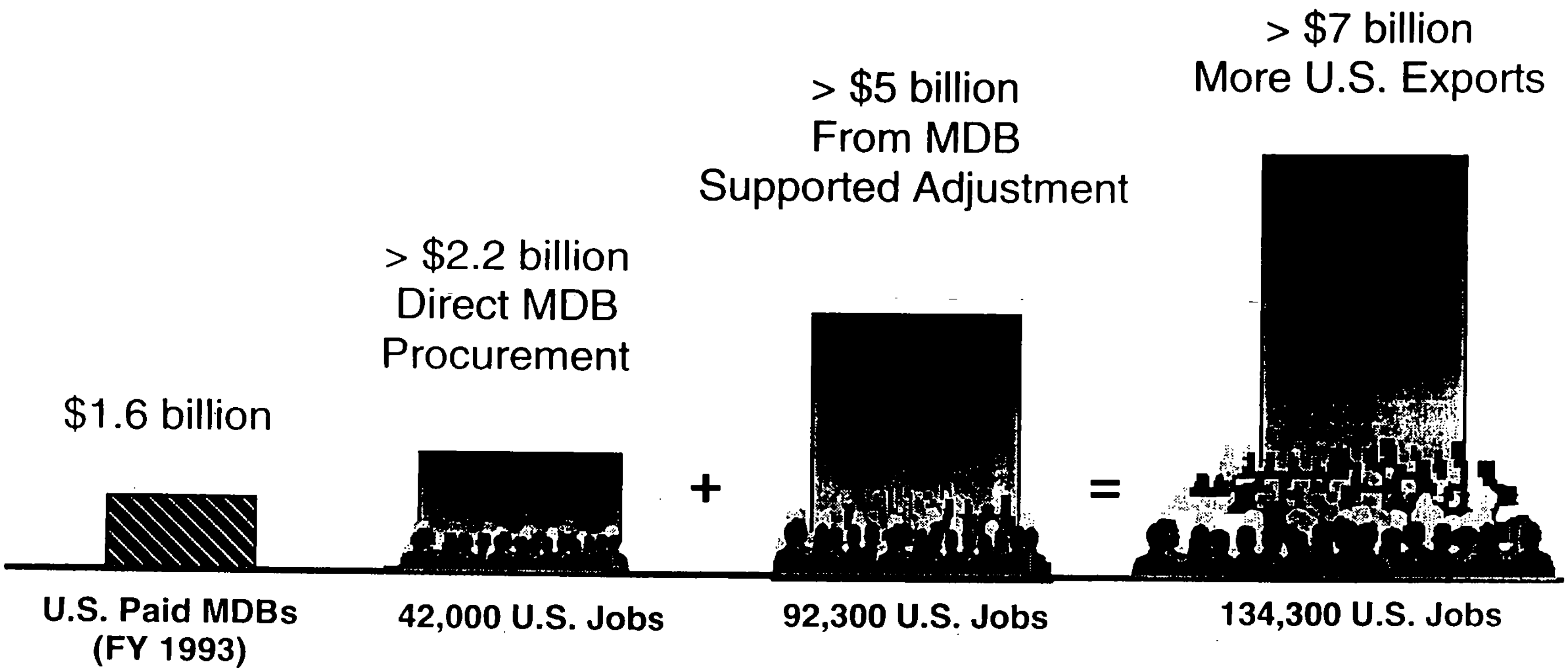
(US$ billions;total last three years)

***Largest Export-Import Bank Exposure:**

Mexico	Indonesia
Venezuela	Argentina
Brazil	the Philippines
Algeria	China
Turkey	India



Higher U.S. Exports = More U.S. Jobs



FY 1995 is Pivotal Budget Year

U.S. arrears now exceed $840 million:

- U.S. influence eroding.
- Others may reduce payments.

Funding the MDBs is a high priority:

- MDBs project U.S. influence throughout the world.
  - ✔ Direct help to poor people.
  - ✔ Promote democratic values.
  - ✔ Protect the environment.
- MDBs increase global economic growth.

MDBs cost little.

- $2.0 billion U.S. contribution leverages $45 billion a year in commitments

2/21/94

THE MULTILATERAL DEVELOPMENT BANKS (MDBs)

A Development Agenda Serving U.S. Interests

MDBs are a crucial policy tool » Although the multilateral development banks account for only ten percent of the Administration's foreign assistance request, they are a critically important and cost effective tool for achieving U.S. economic and political objectives abroad. They are the most effective aid instrument in promoting economic policy reform in developing countries.

MDBs provide benefits to the U.S. » The MDBs promote development in a way which also provides substantial benefits to the United States. MDB efforts to promote open markets, trade and investment liberalization, and sustainable growth in developing countries helps U.S. business. On an annual basis, U.S. companies have received MDB-financed procurement contracts amounting to more than $2.2 billion. This far exceeded last year's U.S. contribution to the MDBs of $1.5 billion. We believe additional U.S. exports on the order of $5 billion annually are attributable to policy reforms supported by MDB lending programs.

MDBs are cost effective » Because many other governments help to finance the MDBs, total MDB lending is far larger than the U.S. contribution. For every dollar we contributed last year, the MDBs will lend $30 this year.

MDBs support U.S. policy objectives » We are increasingly relying on the MDBs to promote critical U.S. interests around the world. In helping to ease the Latin American debt crisis, promoting reform in Eastern Europe and the former Soviet Union, reducing poverty in Africa and Asia, and catalyzing development in the West Bank and Gaza Strip, the MDBs provide vital support for U.S. global objectives on a scale which cannot be replicated by our bilateral programs.

MDBs allow for U.S. policy leadership » The United States has a leadership position in shaping MDB policies and operations. Most key U.S. development objectives -- e.g., greater stress on country performance and market forces, and renewed emphasis on poverty reduction, good governance, private sector development, and protection of the environment -- are now broadly shared by other members.

However

U.S. Arrears Jeopardize U.S. Interests » In real dollar terms, U.S. funding for the MDBs has fallen by 40 percent since 1978. Yet we are the only major donor with MDB arrears. The large size of U.S. arrears ($847 million) could jeopardize the ability of the MDBs to respond effectively to countries and regions of importance to the United States. It also reduces U.S. leverage with the institutions and other members, and places at serious risk our ability to retain influence over MDB policies and operations.

U.S. Stake in Developing Country Growth

- The MDBs are the most effective aid instrument for encouraging developing countries to undertake the economic policy reforms necessary to become free market-oriented democracies. Policy reform in a host of areas -- financial, public enterprise, industrial, energy, and agricultural sectors -- is important for these countries, in conjunction with other social reforms, to generate adequate economic growth to reduce poverty.

- U.S. economic prospects depend heavily on global growth. A healthy world economy spurs U.S. exports and creates high quality U.S. jobs. A large and growing portion of the world's economic activity is taking place in developing countries. These countries account for over 85 percent of the world's population and almost one-half of the world's purchasing power. They include five of the twelve largest economies (China, India, Russia, Brazil and Mexico).

- Developing countries are the fastest growing export market for U.S. goods and services. Their importance to the U.S. domestic economy is increasing. U.S. exports to developing countries increased from $73 billion in 1987 to $185 billion in 1993. More than 40 percent of U.S. exports in 1993 went to developing countries. Exports to developing countries create or sustain some 3 million U.S. jobs each year. With an increase in value of 10 percent per year, U.S. exports to developing countries would reach $360 billion by the end of the decade.

- Economic development in MDB borrowing countries also serves U.S. security (e.g., Eastern Europe and Former Soviet Union) and humanitarian (e.g., Sub-Saharan Africa) interests. The increased emphasis the World Bank and regional MDBs are placing on poverty reduction is particularly important given the fact that over 1.1 billion people in developing countries are still living on less than $1 a day.

- The next few years will be critical ones for the countries in Eastern Europe, the former Soviet Union, Africa, Latin America and Asia which are seeking to adopt sensible economic policies that promote free markets and democracies. Strong support for the MDBs from the United States and other donors is essential to help advance and consolidate these reforms.

Strengthening MDB Performance

As the largest single donor to the MDBs, the United States has the responsibility to act as a leader among donors in setting the policies and priorities that influence MDB lending. Nonetheless, the United States -- whose voting share ranges from 5.8 percent in the African Development Bank to 34.6 percent in the Inter-American Development Bank -- must persuade and encourage other donors to share its priorities. We do not have the voting power to unilaterally enforce our desired changes, not is it productive for the management of the MDBs that policies be set unilaterally by any one donor. These conditions require that the United States approach to change balance our concerns with those of other donors.

Democratic and Republican Administrations have both played key roles in establishing and strengthening the MDB system. The United States is now actively engaged with other members of the institutions to further improve operational effectiveness and generate improved results in such key areas as poverty reduction and environmental protection.

The extent to which development assistance achieves its intended effects is of paramount importance. Problems of unsatisfactory project performance affect all donors, both bilateral and multilateral, and reflect both the inherently difficulty task of development -- including the serious constraints posed by managerial and institutional weaknesses in borrowing countries -- and deficiencies in donor processes and procedures.

The Administration has encouraged the MDBs to take measures to improve the management of their development programs, and is pressing for vigorous implementation of the action plans now underway in the MDBs to improve project performance and maximize the development impact of their operations. Successful U.S. policy leadership was also demonstrated by the World Bank Executive Board's recent approval of a substantially more open public information policy and the establishment of an independent inspection panel to address public concerns. We are now pressing for similar steps in the regional MDBs.

The United States also actively pushes for sound MDB financial management and controlled MDB operating costs. In conjunction with with other members, the United States is pressing for zero-real growth in administrative budgets and the elimination of unnessary expenditures. Recent positive developments include:

- the elimination of first class air travel. At the World Bank, changes in travel policy enacted in 1993 will save an estimated $18 million annually. Savings at the EBRD will exceed $4 million;

- the World Bank's commitment to zero real budget growth over the three-year FY 95-97 period; and

- strategic reorganization at the EBRD with stronger country focus as well as reduced staffing.

In day-to-day Bank operations, the Administration is actively promoting such fundamental development principles as outward oriented free market policies, economic adjustment and reform, promotion of individual opportunities, poverty reduction (including increased social sector lending), good governance, and environmental protection.

MDB Cost-Effectiveness

The cost effectiveness of the MDBs is demonstrated by the extent to which U.S. financing generates substantially larger levels of lending. Leveraging is particularly high in the "hard loan" windows, e.g., the World Bank has lent $122 for every dollar in U.S. paid-in capital, but is also significant in the concessional "soft loan" windows for the poorest countries.

On an annual basis, U.S. companies have received MDB-financed ***procurement contracts*** amounting to more than $2.2 billion. This is $700 million more than the United States contributed to the banks in the past fiscal year. The Administration is engaged in a major outreach effort to further increase U.S. business awareness of opportunities generated by MDBs. The MDBs also provide major benefits to U.S. financial services industry. It should also be noted that the two MDBs headquartered in Washington, D.C. provide substantial benefits to regional economy.

U.S. business also benefits by the substantial extent to which MDB support for economic reform and development expands the import capacity of MDB borrowers and encourages more liberal trading regimes. We believe that U.S. exports which are attributable to such MDB programs are on the order of $5 billion a year. This was demonstrated dramatically in the successful resurgence of growth in Latin America, a region whose reform efforts were strongly supported by over $60 billion in World Bank and Inter-American Development Bank lending over the last six years and which is now the fastest growing market for U.S. exports.

The MDB presence in borrowing countries also helps establish a sound enabling environment for U.S. industrial and financial investors. Many of our bilateral programs -- such as Export Import Bank lending -- rely heavily on the MDBs to establish the economic environment which make their programs viable.

- Over the last three years, the MDBs have loaned $57 billion to the 10 developing countries where Export Import Bank exposure ($21 billion) is largest. U.S. bilateral economic assistance to these ten countries was only $2 billion.

U.S. Reliance on the MDBs

Because the MDBs are so cost-effective, the United States relies heavily on the banks to address critical U.S. strategic (e.g., Eastern Europe/Former Soviet Union, and the Middle East) and humanitarian (e.g., (Sub-Saharan Africa/Asia) interests, as well as our economic interests. The amounts involved are impressive and far exceed U.S. bilateral programs. Examples include:

- $7 billion in IBRD lending commitments to ***Eastern Europe*** over the last four years;
- an IBRD lending program for ***Russia*** which could generate up to $9 billion in new commitments over the next three years;
- the recent World Bank agreement to provide $1.8 billion over three years for ***Mexico*** (a key component in environmental clean-up efforts along our shared border);
- IDA alone extending concessional credits of up to $11 billion for ***Sub-Saharan Africa*** over the next three years;
- World Bank plans to lend up to $1 billion annually to promote economic development and transition in ***South Africa***;
- IBRD/IDA support for ***India***'s welcome and ambitious program of economic reform is running at about $2.5 billion annually;
- the World Bank's central advisory, aid-coordination, and financing roles in ***Gaza and Jericho***, helping move forward Middle East peace efforts;
- expanded MDB support for ***environmental protection*** -- more than $2.6 billion last year and projected to rise rapidly; and
- increased MDB support for ***human resource development*** -- over the next three years World Bank expects to lend more than $14.5 billion for education, population, health and nutrition.

The Problem of U.S. Arrears

In an era when continued heavy U.S. reliance on the MDBs appears inevitable, we find ourselves with large and growing arrears on our internationally negotiated funding commitments to these institutions. The United States is the only major donor country with substantial arrears. These arrears (currently $847 million) threaten to unravel the MDB system and pose clear risks to:

- The institutions' ability to respond effectively to pressing development needs.
- U.S. ability to retain influence over MDB policies and operations -- already under threat from other members who now provide the bulk of MDB financing.
- The borrowers: the poorest countries relying on concessional "soft loan" financing such as IDA are most at risk since U.S. cutbacks entitle other donors to do the same. Sub-Saharan Africa, which receives half of IDA funding, is particularly vulnerable.

U.S. arrears are spread across all the institutions: *(dollar figures in millions)*

World Bank		Asian Development Bank	
IBRD (hard)	$51.2	ADB (hard)	--
IDA (soft)	$309.5	ADF (soft)	$265.0
IFC (hard)	$38.7		

Inter-American Development Bank		African Development Bank	
OC (hard)	$2.8	AFDB (hard)	$0.1
FSO (soft)	$1.0	AFDF (soft)	$62.2
IIC (hard)	$0.2		
MIF (soft)	$35.0		

European Bank for Reconstruction and Development	
EBRD (hard)	$81.1

The issue of arrears is not just a numbers exercise; important U.S. interests are at stake. In order to preserve U.S. leadership and safeguard the benefits we receive from the MDB system, the Administration believes it important to eliminate U.S. arrears on these internationally negotiated commitments. The Administration plans to do this over a four year period, beginning with fully clearing arrears to the IFC and the IDB this year, and also starting to clear arrears to the IBRD and the AFDF this year. At the same time, the Administration is committed to reducing the cost to the United States of any new MDB funding arrangements.

Attachment: Background - Role and Operations of the MDBs

Role and Operations of the MDBs

The World Bank and the four regional banks -- the Inter-American Development Bank (IDB), Asian Development Bank (ADB), the African Development Bank (AFDB), and the European Bank For Reconstruction and Development (EBRD) -- were established to promote sustainable growth in developing countries and transitional economies.

Economic policy reform and poverty reduction are central to MDB mandates. Experience has demonstrated that borrowing countries are more likely to accept and act on loan conditions set by the MDBs than bilateral donors. The World Bank is generally the lead donor negotiating macroeconomic and other free-market reforms, which benefit from its strong in-house analytical capabilities. Effective World Bank led cross-conditionality among donor programs has also proved to be a powerful tool for advancing reform.

With the exception of the EBRD, each MDB has both a "hard" and "soft" loan window. The hard loan windows lend on near market terms to the more advanced developing countries. Loans are largely funded by MDB borrowings in international capital markets and require very little direct contribution from the United States and other donors. The soft loan windows, the World Bank's International Development Association (IDA) being the largest, lend on highly concessional (80-90 percent grant) terms to the poorest and least credit worthy developing countries. "Soft" loans are financed largely from direct donor contributions.

Members subscribe to two types of capital in the hard loan windows: (1) actual cash transfers of "paid-in" capital, which can be as little as 2.5 percent of the total capital subscribed by members, and (2) "callable capital", a contingent pledge by members to provide capital if necessary to meet the MDBs' debt servicing obligations on their market borrowings. No MDB has ever needed to ask members to pay callable capital subscriptions, and we do not expect any to do so in the future.

- Because paid-in subscriptions to the hard loan windows are much smaller than the callable portions, relatively low budget outlays are highly leveraged. For example, for every dollar of U.S. paid-in capital, the World Bank has lent $122. There is also major leveraging in the hard loan windows of the regional MDBS: $40:1 in the IDB, $61:1 in the ADB, and $83:1 in the AFDB. (The EBRD has not been operating long enough to derive a meaningful, comparable number.)

- Leveraging in the soft loan windows is less than in the hard windows, but is still significant, e.g., for every dollar the U.S. will contribute to the Tenth Replenishment of IDA, IDA will be lending almost six dollars.

The MDBs will approve new loans totalling roughly $45 billion this year. These resources, and the MDBs' vast reservoir of technical and analytical expertise, give the institutions a central role in the economies of many developing countries. The MDBs pursue a broad range of inter-related activities ranging from the adoption by borrowers of sound economic policies to the effective implementation of sustainable development policies. Non-lending activities (e.g., resource mobilization, consultative groups, economic and sector studies, policy guidance, and research) are of major and growing benefit to the international community.

Asia and Latin America are the largest regional recipients of MDB funding, although increased attention is now being placed on supporting adjustment and reform in Eastern Europe and the countries of the Former Soviet Union. Sub-Saharan Africa is a major recipient of concessional "soft" loans, and receives about one-half of IDA funding. With few exceptions (i.e., Iran, Sudan and Equatorial Guinea), the country allocation of MDB funding accords very well with U.S. interests.

For development assistance to be relevant, it must not only be delivered but be effective. Performance problems are a constant concern of the development community, reflecting the inherently difficult task of development, as well as deficiencies in donor process and procedures including the tendency to over-emphasize lending quantity as compared to lending quality. Managerial and institutional weaknesses in borrowing countries on which the ultimate responsibility for operational success or failure so heavily depends pose serious constraints. Countries with the greatest need or external assistance, e.g., the low income counties of Sub-Saharan Africa, are often the ones least able to use it effectively. Capacity building in such countries is a difficult, long-term effort.

The World Bank's October 1992, internal evaluation of its portfolio performance (the "Wapenhans Report") documented a gradual deterioration in the performance of the Bank's project portfolio, i.e., the share of projects with "major problems" had roughly doubled over the last decade (to 20 percent in FY 1991), and only 63 percent of the projects completed in FY 91 were judged ":satisfactory". Factors contributing to declining performance included difficult global conditions, and deteriorating institutional, policy and macroeconomic environments in borrowing countries. The Report also identified Bank policies and practices as both contributing to portfolio problems and/or being insufficiently effective in resolving them. These problems are not unique to the World Bank; in fact, they are shared by the regional MDBs as well as by bilateral donors including the United States.

The Administration has commended the Wapanhans process and has strongly encouraged and supported the preparation and implementation by the World Bank of a sound action plan responsive to the Bank's initial report. The action plan initiated by the World Bank in July 1993, was strongly supported by the United States and established a comprehensive process for strengthening efforts in such key areas as:

- use of the country portfolio (rather than individual projects) as the central basis for performance management,
- more active project/portfolio restructuring (including cancellations),
- improving the quality of projects at entry,
- improving the Bank's role in project performance management,
- enhancing the Operations Evaluation Department's independent accountability role, and
- enhancing skills, training and incentives for management and evaluation.

The Administration has also pressed for similar reviews in the regional MDBs. In the Inter-American Development Bank, a review of the loan portfolio was prepared in October, 1993 (the "Tapoma Report"). The Asian Development Bank and the African Development Bank are in the process of preparing similar reports.

Another key Administration objective relates to promoting more transparency in MDB operations. The United States was successful in encouraging the necessary consensus among other Board members to develop a substantially more open World Bank information policy. The new policy, approved in August 1993, establishes a public information center and significantly expands the scope of technical and other information, including environmental assessments, made available to the public for all Bank projects under preparation. Key documents currently restricted to member governments will also be made available to the public once the documents are approved by the Executive Board. Ensuring full implementation of the new policy, and also getting similar policies adopted by the Executive Boards of regional MDBs, is a major Administration priority.

The World Bank Executive Board also approved in September, 1993, the establishment of an independent inspection panel to address public concerns on whether the Bank is observing its own policies, rules and procedures in the design, appraisal and/or implementation of its operations. The panel will consist of three members and will receive requests for inspection presented by parties affected by Bank projects or by Executive Directors.

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9401384
RECEIVED: 23 FEB 94 11

TO: PETERSON, R

FROM: ITOH

DOC DATE: 28 FEB 94
SOURCE REF:

KEYWORDS: DEFENSE BUDGET   LEGISLATIVE REFERRAL

PERSONS:

SUBJECT: DEFENSE DRAFT BILL DOD AUTHORIZATION ACT GEN PROVISIONS DOD 103-036

ACTION: KENNEY SGD MEMO   DUE DATE: 26 FEB 94   STATUS: C

STAFF OFFICER: HAHN   LOGREF:

FILES: WH   NSCP: CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		BELL
		EXECSEC
		HAHN
		ROSNER

COMMENTS: ______________________

DISPATCHED BY ______________ DATE __________ BY HAND W/ATTCH

OPENED BY: NSGP   CLOSED BY: NSGP   DOC 3 OF 3

UNCLASSIFIED

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 28, 1994

MEMORANDUM FOR RONALD K. PETERSON

FROM: WILLIAM H. ITOH

SUBJECT: Defense Draft Bill DoD Authorization Act General Provisions (DoD 103-036)

The National Security Council staff concurs in the Defense draft bill.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 24, 1994

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL

FROM: KEITH HAHN

SUBJECT: Defense Draft Bill DoD Authorization Act General Provisions (DoD 103-036)

The proposed legislation at Tab II establishes a cost of living allowance designed to reduce the loss in purchasing power that often accompanies the assignment of military personnel to high cost areas. Some military members faced with an assignment to a high cost area elect to retire, or otherwise leave the service, rather than accept the loss in purchasing power. The problem is particularly acute for Navy and Coast Guard personnel because coastal locations tend to be high cost areas. Some positions in these areas remain vacant for extended periods of time or are filled by junior members with less experience.

DoD currently has long had a similar program for military personnel assigned to Hawaii and Alaska. This program is different from the Variable Housing Allowance program which only allows for differences in housing costs between duty assignments in the U.S.

Concurrence by: Jeremy Rosner

RECOMMENDATION

That you sign the memorandum at Tab I concurring in the draft Defense legislation.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. memo	Duplicate of vz4542_001. (1 page)	02/22/1994	P3/b(3)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 263

FOLDER TITLE:

Chron File - February 1994 #2 [8]

2016-0152-F
vz4543

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

1084

SPECIAL

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

February 22, 1994

LEGISLATIVE REFERRAL MEMORANDUM

LRM #D-596
DRAFT #458

TO: Legislative Liaison Officer -

ACDA - [illegible] - (202)647-8478 - 234 [002]
CIA - [redacted] (b)(3)
COMMERCE - Michael A. Levitt - (202)[illegible] 3086 - 324
EDUCATION - John Kristy - (202)401-2670 - 207
ENERGY - Bob Rabben - (202)586-6718 - 209
FEMA - John P. Carey - (202)646-4105 - 327
GSA - William R. Ratchford - (202)501-0563 - 237
HHS - Frances White - (202)690-7760 - 328
HUD - Edward J. Murphy, Jr. - (202)708-1793 - 215
INTERIOR - Danny Consenstein - (202)208-6706 - 329
JUSTICE - Sheila F. Anthony - (202)514-2141 - 217
LABOR - Robert A. Shapiro - (202)219-8201 - 330
NASA - Jeff Lawrence - (202)358-1948 - 219
NEC - Sonyia Matthews - (202)456-6722 - 429
NSC - William H. Itoh - (202)395-3723 - 249
OGE - Jane Ley - (202)523-5377 - 261
OSTP - Chris Clary - (202)456-7116 - 288
STATE - Julia C. Norton - (202)647-4463 - 225
TRANSPORTATION - Tom Herlihy - (202)366-4687 - 226
TREASURY - Richard S. Carro - (202)622-1146 - 228
VA - Robert Coy - (202)535-8113 - 229

FROM: RONALD K. PETERSON (for) Ronald K. Peterson
Assistant Director for Legislative Reference

OMB CONTACT: **MIKE GOAD (395-7301)**
Secretary's line (for simple responses): 395-6194

SUBJECT: DEFENSE Draft Bill Department of Defense Authorization Act for Fiscal Year 1995-General Provisions (DOD 103-036)

DEADLINE: 10:00 A.M., MONDAY, February 28, 1994

COMMENTS: Attached is the analysis for section 303 of the subject draft bill circulated under cover of LRM #D-551.

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

SECTION-BY-SECTION ANALYSIS OF A BILL

Sec. 303. Cost of living allowance for members of the uniformed services assigned to high cost areas in the continental United States.

Section 303(a) amends chapter 7 of title 37, United States Code, by adding a new section 434 entitled "Cost of living allowance in the continental United States."

Subsection 434(a) of the new section creates an entitlement to a cost of living allowance for a member of the uniformed services assigned to high cost area in the continental United States (CONUS). "High cost area" means a CONUS location where the cost of living exceeds a threshold, as defined in subsection (g), above the national average cost of living. This threshold is determined as prescribed in subsection (e), but may not be lower than 5 percent.

Subsection 434(b) of the new section establishes that a member is not entitled to an allowance while traveling between permanent duty stations. The same rule applies to the variable housing allowance under 403a(b)(1) of title 37, United States Code.

Subsection 434(c) of the new section establishes that a member serving an unaccompanied tour of duty overseas is entitled to an allowance based on the area where his dependents reside. The same rule applies to the variable housing allowance under section 403a(a)(1) of title 37, United States Code.

Subsection 434(d) of the new section establishes that a member assigned to a CONUS location, whose dependents must reside in a high cost area elsewhere, may apply for an allowance based on the location where his dependents reside if it would be inequitable to base the allowance on the duty location. The same rule applies to the variable housing allowance under 403a(a)(2) of title 37, United States Code. Regulations promulgated under subsection 434(h) should establish criteria for the application of this rule.

Subsection 434(e) of the new section explains the mathematical process used to determine eligibility for, and the amount of, the cost of living allowance for a given location. The cost of living in each location is divided by the national average cost of living. If the result exceeds the threshold established jointly by the Secretaries concerned, the basic pay of members assigned to that location is multiplied by the percent by which the threshold is exceeded in order to determine the amount of the allowance. The allowance is adjusted to maintain after-tax purchasing power.

Subsection 434(f) of the new section defines cost of living, i.e., the starting point for the calculations set forth in the preceding subsection. Since the mathematical process described above begins by dividing the cost of living in a given location by the national average cost of living, it is important to note those elements of the definition that are location-specific (as opposed to averaged) and those that are standards.

The definition includes only nonhousing costs (goods, services, and transportation); this element is location-specific in the numerator of the calculation and is averaged in the denominator. It excludes housing because fluctuations in housing costs are covered by a variable housing allowance. It includes average income taxes in the numerator and in the denominator; this element is a standard for both sides of the calculation. If taxes are excluded, the resulting index is artificially high. The definition recognizes savings attributable to military facilities (military exchange, commissary, and military health care) by deducting them from the numerator and from the denominator; this element is location-specific in the numerator and is averaged in the denominator. Family member food costs are included in goods and services but the Service member's food costs are excluded by deducting the military subsistence allowance from the numerator and from the denominator; thus, the member's subsistence allowance is a standard.

Subsection 434(g) defines "threshold" and directs that the annual selection of a threshold will be based on funds available for the program.

Subsection 434(h) of the new section establishes that members of reserve components ordered to active duty for less than 140 days are not entitled to the allowance. The same rule applies to variable housing allowance; see 403a(b)(3) of title 37, United States Code. They are, however, entitled to travel and transportation allowances (per diem) if the active duty is away from their normal duty station; see 404(a)(4) of title 37, United States Code. If ordered to active duty for 140 days or more, the assignment is considered a permanent change of station and the member is not entitled to per diem. In this latter situation, the member would be entitled to the allowance under this section. The member would be entitled to the allowance if ordered to active duty in support of a "contingency" operation regardless of duration.

Subsection 434(i) of the new section recognizes that, within the framework of the legislation proposed, regulations are needed to refine its application. Since the legislation applies to all of the uniformed services, the Secretaries should promulgate the regulation and will jointly establish a common threshold on an annual basis.

Section 303(b) makes a conforming clerical amendment to the table of sections at the beginning of Chapter 7 of such title.

Members of the uniformed services are frequently required to move to high cost areas in the continental United States. The private sector pay scale in these areas is able to reflect the higher cost of living, but the military pay scale is somewhat inflexible. An allowance reimburses members for variations in the cost of housing, but there is nothing similar to compensate for variation in nonhousing costs. Research reveals that these nonhousing costs vary from 5% below to 19% above the national average.

To illustrate, a move-from Newport News, a location with a nonhousing cost of living only slightly higher than the national average, to San Francisco results in a 11.7% loss in purchasing power. At the extremes, a move from Minot Air Force Base to Westchester County results in a 25.5% loss in purchasing power. Such moves can have the effect to of negating two pay raises, one due to promotion and another due to longevity. One or two tours in high cost areas over the course of a career generate a loss in purchasing power that, because of its magnitude, cannot be recouped.

Further, the disparity is growing rather than shrinking. A sampling of US cities showed a cost of living difference between lowest and highest of 33% in 1980 and 53% in 1990. (Since these figures include housing costs, they are higher than those cited in the first paragraph of this section.)

Aside from considerations of equity, assignments to high cost areas have an adverse impact on readiness. Some members faced with an assignment to a high cost area elect to retire, or otherwise leave the service, rather than accept the loss in purchasing power. The problem is particularly acute for the Navy and Coast Guard because coastal locations tend to be high cost areas. Coast Guard and Navy assignments personnel report that some positions in high cost areas remain vacant for extended periods of time or are filled by junior members with less experience. Other services report that personnel in certain occupational specialties are repeatedly assigned to high cost areas. Analysis of reenlistment data from high cost areas has shown a definite decrease in retention over a ten year period. The economic trend discussed in the preceding paragraph portends even greater readiness problems.

The proposed legislation establishes a cost of living allowance designed to reduce the loss in purchasing power that ensues upon assignment to a high cost area. Calculations disregard housing and subsistence as these costs are addressed by other allowances. They take into account savings attributable to military facilities (commissary, exchange, and military health care) and relate those savings to the specific location. Also, the calculations recognize the fact that income taxes represent a smaller portion of cost of living in high cost areas than elsewhere. Finally, the allowance is adjusted to maintain after-tax purchasing power.

The entitlement only covers that part of the cost of living in high cost areas that exceeds a specific threshold established by the Secretaries concerned. That threshold may not be lower than 5% above the national average. A threshold floor is established at that point because members may be assigned to areas where the cost of living is as much as 5% below the national average. Thus, assignments within that ten point range (5% below to 5% above the national average) tend, over the course of a career, to offset each other.

It is intended that this legislation mirror that regarding the variable housing allowance in section 403a of title 37, United States Code. Two essential differences remain: Variable Housing Allowance applies in Alaska and Hawaii but this allowance would not because overseas Cost of Living Allowance applies there; Variable Housing Allowance has with/without dependents rates but this allowance would vary only on basic pay and location.

In summary, this legislation proposes an allowance that merely protects service members from a catastrophic loss of purchasing power over the course of a career.

Threshold levels would be set annually by the Secretaries concerned based on funds available. Limited funds in FY95 would suggest a threshold of 14% payable in the last quarter only. Outyear funds would suggest an 8% threshold.

The costs to fund the CONUS cost of living allowance are as follows (million):

	(last qtr) FY95	FY96	FY97	FY98	FY99
DoD Total	$0.22	$24.9	$25.6	$26.4	$27.2

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is **simple** (e.g., concur/no comment) we prefer that you respond by **faxing** us this response sheet. If the response is **simple** and you prefer to call, please **call the branch-wide line** shown below (NOT the analyst's line) to leave a message with a secretary.

You may **also respond** by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please **include** the LRM number shown above, and the **subject** shown below.

TO: MIKE GOAD
Office of Management and Budget
Fax Number: (202) 395-5691
Analyst/Attorney's Direct Number: (202) 395-7301
Branch-Wide Line (to reach secretary): (202) 395-6194

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

SUBJECT: DEFENSE Draft Bill Department of Defense Authorization Act for Fiscal Year 1995-General Provisions (DOD 103-036)

The following is the response of our agency to your request for views on the above-captioned subject:

________ Concur

________ No objection

________ No comment

________ See proposed edits on pages ______________

________ Other: ______________________

________ FAX RETURN of _____ pages, attached to this response sheet

CC:
J. Schuhart
R. Dotson
J. Fish
A. Donahue
D. Taft
K. MacIntyre
J. Foresgren
A. Rooney
J. Jukes
E. Rea
R. Bent
B. Sasser
R. Adkins
R. Civiak
C. Dennis
D. Childs
B. Rideout
B. White
R. Turman
P. Weiss
B. Dorotinsky
B. Clendenin
H. Meyers
T. Grams
K. Fontenot
N. Min
S. Swain

1509

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 28, 1994

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT G. BELL

FROM: STEVEN R. JONES

SUBJECT: OMB Proposed Amendment RE: S.1587, The Federal Acquisition Streamlining Act of 1993 (LRM I-2113)

OMB requested a quick-turnaround concurrence on the attached 300 pages of acquisition streamlining legislation. The legislation implements "Section 800" panel recommendations along with raising the simplified acquisition threshold to $100,000 and implementing Defense Acquisition Pilot programs. These initiatives are high priority items to achieve Secretary Perry's acquisition streamlining goals.

I have reviewed OMB's "line-in/line-outs" and have no additional comments to offer.

Concurrence by: Jeremy Rosner

RECOMMENDATION

That you sign the memorandum at Tab I.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR JAMES J. JUKES

FROM: WILLIAM H. ITOH

SUBJECT: OMB Proposed Amendment RE: S.1587, The Federal Acquisition Streamlining Act of 1993 (LRM I-2113)

The NSC staff has reviewed the proposed legislation and has no additional comments.

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9401509
RECEIVED: 28 FEB 94 10

TO: ITOH

FROM: JUKES, J

DOC DATE: 25 FEB 94
SOURCE REF:

KEYWORDS: DEFENSE POLICY   LEGISLATIVE REFERRAL

PERSONS:

SUBJECT: OMB PROPOSED AMENDMENT RE S-1587 FEDERAL ACQUISITION STREAMLINING ACT OF 1993

ACTION: PREPARE MEMO ITOH TO JUKES   DUE DATE: 28 FEB 94   STATUS: S

STAFF OFFICER: HAHN   LOGREF:

FILES: WH   NSCP: CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
HAHN	BELL	JONES
Jones	ROSNER	

URGENT

Jones

File RPT w/ Hahn

COMMENTS: DUE TODAY MON 28 FEB / CALL IN COMMENTS BUT DO FOLLOW - UP MEMO W/ ITOH TO JUKES MEMO

DISPATCHED BY ______________ DATE __________ BY HAND W/ATTCH

OPENED BY: NSJEB   CLOSED BY: DOC 1 OF 1

UNCLASSIFIED

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

1509

February 25, 1994

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-2113

TO: Legislative Liaison Officer -

AGRIC-CR - Vince Ancell (all testimony) - (202)720-7095 - 230
COMMERCE - Michael A. Levitt - (202)482-3086 - 324
EDUCATION - John Kristy - (202)401-2670 - 207
ENERGY - Bob Rabben - (202)586-6718 - 209
HHS - Frances White - (202)690-7760 - 328
HUD - Edward J. Murphy, Jr. - (202)708-1793 - 215
INTERIOR - Danny Consenstein - (202)208-6706 - 329
JUSTICE - Sheila F. Anthony - (202)514-2141 - 217
OMB - Only, See Distribution Below - ( ) - -
STATE - Julia C. Norton - (202)647-4463 - 225
TRANSPORTATION - Tom Herlihy - (202)366-4687 - 226
TREASURY - Richard S. Carro - (202)622-1146 - 228
VA - Robert Coy - (202)535-8113 - 229
AID - Robert M. Lester - (202)647-8371 - 202
AOUSC - Robert Feidler - (202)273-1120 - 245
CEA - - (202)395-5036 - 242
EPA - Thomas C. Roberts - (202)260-5414 - 326
FEMA - John P. Carey - (202)646-4105 - 327
GSA - William R. Ratchford - (202)501-0563 - 237
NASA - Jeff Lawrence - (202)358-1948 - 219
NEC - Sonyia Matthews - (202)456-6722 - 429
NSC - William H. Itoh - (202)395-3723 - 249
OPM - James N. Woodruff - (202)606-1424 - 331
SBA - Christine Swedin - (202)205-6702 - 315
USTR - Fred Montgomery - (202)395-3475 - 223
CPPBSD - Beverly L. Milkman - (703)603-7740 - 290
OGE - Jane Ley - (202)523-5377 - 261

FROM: JAMES J. JUKES (for)
Assistant Director for Legislative Reference

OMB CONTACT: **Jim BROWN (395-3473)**
Secretary's line (for simple responses): 395-3454
Allan BROWN (395-3501)

SUBJECT: OMB Proposed Amendment(s) RE: S 1587, The Federal Acquisition Streamlining Act of 1993

DEADLINE: 5:00 MONDAY February 28, 1994

COMMENTS: This "Line In, Line Out" document incorporates the current draft of the Administration's proposed amendments to S. 1587. This document must be submitted promptly in order to be useful in the pending markups of this bill. Any proposed revisions must therefore be received by the deadline if they are to be considered for inclusion in this package.

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:
Elaine Karmack
John McClelland
Bruce McConnell
Peter Weiss
David Haun
Bob Damus
Paul Weinstein
Carol Dennis
Allan Brown
Alan Rhinesmith
Doug Criscitello
Jim Boden
Steve Kelman
Wayne Wittig
Bill Coleman
Matthew Blum
Margaret Yao
Dorothy Robyn
Jennifer Palmieri
John Kamensky
Gary Waxman

LRM #I-2113

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is **simple** (e.g., concur/no comment) we prefer that you respond by **faxing** us this response sheet. If the response is **simple** and you prefer to call, please **call the branch-wide line** shown below (NOT the analyst's line) to leave a message with a secretary.

You may **also respond** by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please **include** the LRM number shown above, and the **subject** shown below.

TO: Jim BROWN
Office of Management and Budget
Fax Number: (202) 395-3109
Analyst/Attorney's Direct Number: (202) 395-3473
Branch-Wide Line (to reach secretary): (202) 395-3454

FROM: ______________________________ (Date)

______________________________ (Name)

______________________________ (Agency)

______________________________ (Telephone)

SUBJECT: OMB Proposed Amendment(s) RE: S 1587, The Federal Acquisition Streamlining Act of 1993

The following is the response of our agency to your request for views on the above-captioned subject:

________ Concur

________ No objection

________ No comment

________ See proposed edits on pages ________________

________ Other: ______________________________

________ FAX RETURN of _____ pages, attached to this response sheet

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003a. memo	For Anthony Lake from Keith Hahn. Subject: Naval Operations. Record ID: 9420262. (1 page)	02/28/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 263

FOLDER TITLE:

Chron File - February 1994 #2 [8]

2016-0152-F
vz4543

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003b. memo	For Robert McAleer from William Itoh. Subject: Naval Operations. Record ID: 9420262. (1 page)	02/28/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 263

FOLDER TITLE:

Chron File - February 1994 #2 [8]

2016-0152-F
vz4543

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003c. memo	For Executive Secretary, National Security Council from Robert McAleer. Subject: Naval Operations. (1 page)	02/28/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 263

FOLDER TITLE:

Chron File - February 1994 #2 [8]

2016-0152-F
vz4543

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003d. memo	For Robert McAleer from Marc Grossman. Subject: U.S. Freedom of Navigation (FON) Program. (1 page)	01/14/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 263

FOLDER TITLE:

Chron File - February 1994 #2 [8]

2016-0152-F
vz4543

RESTRICTION CODES

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003e. memo	For the Under Secretary of Defense for Policy from Vice Admiral, R. C. Macke. Subject: Freedom of Navigation. (1 page)	12/15/1993	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 263

FOLDER TITLE:

Chron File - February 1994 #2 [8]

2016-0152-F
vz4543

RESTRICTION CODES

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P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003f. cable	re: Iranian Straight Baselines. (3 pages)	10/28/1993	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 263

FOLDER TITLE:

Chron File - February 1994 #2 [8]

2016-0152-F
vz4543

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 28, 1994

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL

FROM: KEITH HAHN

SUBJECT: Commerce Proposed Draft Bill on Telecommunications Amendments

The draft bill on Telecommunications Amendments at Tab II provides the Commerce Department's proposals for implementing the Administration's goals of providing universal service, promoting investment, protecting competition, securing open access and adapting to new telecommunications market conditions. The language in this draft bill is consistent with the determinations made, to date, by the National Information Infrastructure Task Force.

Concurrence by: Jeremy Rosner

RECOMMENDATION

That you sign the memorandum at Tab I concurring in the proposed Commerce draft bill.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR JAMES J. JUKES

FROM: WILLIAM H. ITOH

SUBJECT: Commerce Proposed Draft Bill on Telecommunications Amendments

The National Security Council staff concurs in the proposed Commerce draft bill.

1430

19 pages

fostat

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

February 24, 1994

LEGISLATIVE REFERRAL MEMORANDUM LRM #M-1139

TO: Legislative Liaison Officer -

AGRICULTURE - Marvin Shapiro - (202)720-1516 - 312
DEFENSE - Samuel T. Brick, Jr. - (703)697-1305 - 325
EDUCATION - John Kristy - (202)401-2670 - 207
HHS - Frances White - (202)690-7760 - 328
JUSTICE - Sheila F. Anthony - (202)514-2141 - 217
STATE - Julia C. Norton - (202)647-4463 - 225
TREASURY - Richard S. Carro - (202)622-1146 - 228
FCC - Steve Klitzman - (202)632-6405 - 260
NEC - Sonyia Matthews - (202)456-6722 - 429
NSC - William H. Itoh - (202)395-3723 - 249
GSA - William R. Ratchford - (202)501-0563 - 237
OSTP - Chris Clary - (202)456-7116 - 288
SBA - Christine Swedin - (202)205-6702 - 315
USTR - Fred Montgomery - (202)395-3475 - 223

FROM: JAMES J. JUKES (for) Jim
Assistant Director for Legislative Reference

OMB CONTACT: Jeffrey WEINBERG (395-3457)
Secretary's line (for simple responses): 395-3454

SUBJECT: COMMERCE Proposed Draft Bill on Telecommunications Amendments

DEADLINE: Noon February 28, 1994

COMMENTS: Here is the legislative language for "Title VII," "unbundling," and "open access" that Commerce has informally supplied to the Congress. House subcommittee markup is expected to begin on Tuesday, March 1st. Please advise if you think that the draft language needs to be revised ~~during~~ prior to markup.

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:
Greg Simon
Ken Schwartz
Harry Meyers

LRM #N-1139

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is simple (e.g., concur/no comment) we prefer that you respond by faxing us this response sheet. If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a secretary.

You may also respond by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please include the LRM number shown above, and the subject shown below.

TO: Jeffrey WEINBERG (395-3457)
Office of Management and Budget
Fax Number: (202) 395-3109
Analyst/Attorney's Direct Number: (202) 395-3457
Branch-Wide Line (to reach secretary): (202) 395-3454

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

SUBJECT: COMMERCE Proposed Draft Bill on Telecommunications Amendments

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No objection

_____ No comment

_____ See proposed edits on pages _____________

_____ Other: ______________________

_____ FAX RETURN of _____ pages, attached to this response sheet

#1

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ADMINISTRATION SUGGESTED LANGUAGE ON TITLE VII

TITLE VII

SEC. 701. SHORT TITLE.

This Title may be cited as the "[ ] Act of 1994."

SEC. 702. FINDINGS.

The Congress finds that --

(1) Communications service providers are emerging that offer broadband, interactive, switched, digital services to persons in a wide range of places, including but not limited to homes, offices, classrooms, libraries, hospitals, and health care facilities. These offerings will include a variety of voice, high-speed data, and video services provided on an integrated basis over advanced network facilities.

(2) Such providers face the potential of being regulated under two different parts of the Communications Act of 1934 -- Title II (Common Carriers) and Title VI (Cable Communications). These providers could also be subject to regulation at the state level for the intrastate components of their offerings, and at the local level for cable television and possibly other services.

(3) The current regulatory environment will be needlessly overlapping, complex, and potentially conflicting for entities seeking to provide broadband, interactive, switched, digital services.

(4) Technological and market changes are increasingly blurring the formerly established lines between traditional voice telephony, data communications, and cable television services, and these changes could erase such lines entirely in the future.

(5) The goals of competitive fairness and efficient regulation requires that the Federal Communications Commission regulate similarly-situated entities in a similar fashion.

(6) The existing regulatory scheme created by the Communications Act of 1934 may be ill-suited to services offered as a result of rapidly changing technology, as regulatory policies predicated on outdated distinctions can harm consumers by impeding competition and discouraging private sector investment in network and service offerings that are desired by the public.

(7) A more streamlined, adaptable regulatory regime would provide greater incentives for private sector firms to provide broadband, interactive, switched, digital services, thereby promoting competition in the delivery of communications services and the widespread availability of high quality, advanced services offered to the public at reasonable prices.

(8) A new, more flexible regulatory scheme can allow for rapid technological and marketplace changes, while also establishing mechanisms to ensure that important universal service, consumer protection, and efficiency goals continue to be met.

SEC. 703. STATEMENT OF PURPOSES.

The purposes of this Title are --

(1) To enact a flexible, adaptable regulatory regime that encourages the widespread provision of broadband, interactive, switched, digital services to a wide range of persons and places, including but not limited to homes, businesses, classrooms, libraries, hospitals and clinics;

(2) To encourage the development of broadband, interactive, switched, digital services, while ensuring that current services relied upon by the public, including basic telephone and cable television services, continue to be provided at reasonable prices and at high levels of quality.

(3) To remove unnecessary and artificial barriers to participation by the private sector in communications markets, while ensuring that consumers remain protected from any anticompetitive activities, and that communications networks that serve the public are interconnected and interoperable.

(4) To encourage private investment, promote and protect competition, and encourage flexible, responsive government action with regard to communications networks.

(5) To harmonize regulatory provisions under the Communications Act of 1934, in order to provide a more unified, streamlined approach to regulation of broadband, interactive, switched, digital services, thereby avoiding the imposition of conflicting or duplicative regulatory burdens on communications service providers.

DRAFT 2/2/94 5:00 PM 4

(6) To provide the Federal Communications Commission flexibility in the regulation of such communications services, so that regulation can keep pace with the rapid technological and marketplace changes that pervade the telecommunications and information industries, while preserving and advancing traditional universal service goals, and ensuring just and reasonable terms and conditions for competitors and consumers alike.

(7) To ensure that the Federal Communications Commission has the statutory authority to treat similarly situated firms similarly, rather than regulating firms according to the technology they use to transport information.

(8) To ensure provision, on a non-discriminatory basis, of open access to communications networks for information providers and consumers.

(9) To facilitate the realization of the goal that private sector activities result in the connection of all classrooms, libraries, hospitals, and clinics in the United States to the information infrastructure.

(10) To promote an open information marketplace, with services offered at reasonable prices, based on consumer demand, with expanded access to the information infrastructure.

(11) To promote and develop a society where information is easily available to all people, including disadvantaged, disabled, low-income, and rural users, as well as educational, medical, and small business entities, among others.

(12) To advance substantial governmental and First Amendment interests in promoting a diversity of views provided through multiple outlets, by enabling individuals and organizations alike to publish and otherwise make information available in electronic form, including the development of local community networks.

(13) To provide the Federal Communications Commission with flexibility to tailor its regulations so that it can prevent abuses of market power that could harm consumers or impede competition, while ensuring that government regulation promotes new entry, innovation in technologies and services, efficient investment in infrastructure development, and full and fair competition in the offering of telecommunications services to the public.

SEC. 704. NEW TITLE ADDED TO THE COMMUNICATIONS ACT.

The Communications Act of 1934 (47 U.S.C. 701 et seq.) is amended by adding a new Title VII, entitled "[ ]" with the following sections:

"SEC. 701. DEFINITIONS.

For purposes of this Title, the following terms are defined:

"(a) "Title VII firm" means a person that is subject to Federal Communications Commission jurisdiction under this Title.

"(b) "Title VII broadband services" means broadband, interactive, switched, digital transmission services offered by Title VII firms to end users.

"(c) "Other Title VII services" means communication services offered by a Title VII firm, other than Title VII broadband services, that: (1) use the same

DRAFT 2/2/94 5:00 PM 6

facilities as Title VII broadband services, and (2) would be subject either to common carrier regulation under Title II, or regulation under Title VI, if offered by non-Title VII firms.

"(d) "Title VII services" means Title VII broadband services and other Title VII services.

"SEC. 702. ELIGIBILITY TO ELECT TITLE VII REGULATION.

"(a) Any person that offers broadband, interactive, switched, digital services may elect to apply to the Commission for such services to be regulated under this Title.

"(b) To be eligible to become a Title VII firm in a particular state, the applicant must offer Title VII broadband services to at least 20 percent of its subscribers in that state. The Commission may waive the threshold subscriber percentage in specific cases, or modify it by rule of general applicability, it if finds doing so would advance the goals of this Title.

"(c) A Title VII applicant must certify to the Commission that it meets the condition in subsection (b) and provide such documentation and other information as the Commission may require. Its election to become a Title VII firm will become effective 180 days following such certification and provision of such documentation and information, for each state for which the condition is met, unless the Commission, after notice and comment, disallows the application prior to that time.

"SEC. 703. COMMISSION AUTHORITY.

DRAFT 2/2/94 5:00 PM 7

"(a) The Commission shall apply the regulatory regime established under this Title to all Title VII services, but only in those states for which a person offering the services is a Title VII firm.

"(b) Services subject to Commission authority under this Title, including both Title VII broadband services and other Title VII services, shall not be subject to either the provisions of Title II or Title VI.

"(c) The Commission shall, by rule, establish procedures and standards necessary to implement this Title.

"(d) The Commission shall treat a Title VII firm as a carrier, or common carrier, with respect to any Title VII services it offers, for the purposes of applying Sections 310(b), 332(c), 398(h)(1), 406, 407, 408(g), 410(b), 410(c), 412, 413, 415, 503(a), 503(b), 806, and 810 of this Act.

[to add savings clause somewhere re any FCC Title II or other authority stemming from changes to AT&T Consent Decree, as below:

["(e) Nothing in this Title shall be construed as altering the Commission's regulation of the activities of the Bell Operating Companies under Title II that pertain to regulation of [long distance], manufacturing, electronic publishing, and alarm monitoring services.]

"SEC. 704. STREAMLINED REGULATORY APPROACH FOR TITLE VII SERVICES.

"(a) Title VII firms shall provide open access to their networks so that anyone, including end users and information service providers, can use Title VII services to transmit information, including voice, data, and video programming, on

DRAFT 2/2/94 5:00 PM 8

a non-discriminatory basis. The Commission may establish rules, as needed to ensure that Title VII firms comply with this provision.

"(b) The Commission shall adopt rules, in consultation with the states, to establish universal service obligations applicable to Title VII firms. Such obligations may include contributions, either financial or in-kind, to the preservation and advancement of universal service consistent with universal service obligations imposed under other Titles of this Act, whether or not the Title VII firms are subject to the rate regulation provisions of this Title.

"(c) The Commission shall seek to promote the interconnection and interoperability of networks providing Title VII services. To further this goal, the Commission is authorized to take actions that facilitate industry standards-setting processes, including the promulgation of procedures and timetables for the adoption of industry standards. The Commission shall have the authority to establish interconnection and interoperability standards or requirements by rule if it finds that the industry standards-setting process is not functioning to accomplish this goal within a reasonable period of time, or that promulgating such standards or requirements is necessary to advance the goals of this Title.

"(d) The Commission shall adopt rules as are necessary and feasible to ensure that Title VII services are accessible and usable by individuals with disabilities, including individuals with functional limitations of hearing, vision, movement, manipulation, speech and interpretation, and are available to all educational institutions in the nation.

DRAFT 2/2/94 5:00 PM

"(e) The Commission shall regulate the rates for Title VII services only if it finds that a Title VII firm has market power with respect to such services. The Commission shall conduct proceedings to establish guidelines or standards for defining "market power" for the offering of Title VII services. The Commission is also authorized to adopt transitional rules, as needed, for the application of such rate regulation before it has made a determination regarding a Title VII firm's market power. However, the Commission shall impose such transitional rate regulation only on Title VII firms that, at the time of their application for Title VII status, are regulated by the Commission under Title II as a common carrier with market power, or under Title VI as a cable operator that is not subject to effective competition.

"(f) For any Title VII services subject to rate regulation, the Commission has the authority to impose requirements to provide public notice regarding such rates, through tariffing or some other appropriate means, and to establish, by rule, procedures and standards to ensure that rates are just and reasonable.

"(g) With respect to the offering of Title VII services, the Commission shall promulgate rules, as necessary, to address the concerns reflected in Sections 223 through 229 of Title II.

"(h) The Commission may adopt such regulations as necessary to ensure that the delivery of video programming directly to subscribers via Title VII services is consistent with the principles and objectives of sections 325(b), 611, 614, 615, and 632 of this Act. Providers of video programming directly to subscribers via

Title VII services shall be subject to the payment of fees imposed by a local franchising authority, in lieu of the fees required of a cable operator under section 622. The rate at which such fees are imposed shall not exceed the rate at which franchise fees are imposed on any cable operator transmitting video programming in the same service area.

"(i) The Commission may also impose additional requirements by rule, or issue such orders, as necessary, to carry out the purposes of this Title.

"(j) The Commission shall establish procedures for resolving expeditiously any complaints filed by any entity against a Title VII firm and alleging a violation of the terms of Title VII, or a Commission order issued pursuant to its Title VII authority.

"SEC. 705. STATE AUTHORITY TO REGULATE TITLE VII SERVICES.

"(a) Notwithstanding any other provision of this Act, no state or local government may regulate entry into the market for the provision of any Title VII services.

"(b) State governments may regulate rates for any Title VII services only pursuant to the authority provided under this Title.

"(c) No state or local government may regulate rates for any Title VII service if the Commission finds, or has found, that the Title VII firm lacks market power in the provision of such service.

"(d) States may regulate rates for intrastate services, subject to the following conditions:

"(1) For those intrastate Title VII broadband services for which the Commission finding in subsection (c) has not been made, a state may regulate the rates for such services pursuant to models or standards established by the Commission for rate regulation. The Commission shall, after notice and comment, establish such models or standards in consultation with the states. A Title VII firm subject to state regulation under this subsection, or any other interested party, may petition the Commission for review of the state's compliance with the Commission's models or standards for rate regulation. If the Commission declines to review the state's action, it may do so in an order without stating its reasons, and such order is not subject to appeal in the U.S. courts. If the Commission accepts the petition for review, it must provide the state, the Title VII firm, and other interested parties an opportunity to comment. Following its review of such comments, the Commission shall issue an order, including findings on whether the state has so complied, an explanation of the Commission's reasons, and directions for such relief as its finds necessary, and such order shall be subject to appeal in the U.S. courts.

"(2) For those intrastate other Title VII services for which the Commission finding in subsection (c) has not been made, states may regulate the rates for such services; provided that the Commission may preempt such state regulation, but only to the extent necessary to avoid direct conflict between state regulatory actions and the policies implemented under this Title.

"(e) The Commission is granted the authority to preempt other state or local regulations concerning other terms or conditions of a Title VII firm's offering, but only to the extent such regulation is found to conflict with the policies and provisions established under this Title.

"SEC. 706. REMEDIES.

"The Commission may award damages to any person claiming to be damaged by a Title VII firm for a violation of, or failure to comply with, any provision of this Title or any Commission order issued pursuant to this Title.

SEC. 705. CONFORMING AMENDMENT.

(a) Section VII of the Communications Act of 1934, which is labeled "Miscellaneous Provisions" and includes Sections 701 through 713, is changed to Title VIII and the Sections renumbered to be Sections 801 through 813.

(b) Section 2(b) of the Communications Act is amended to read "Except as provided in sections 223 through 227, inclusive, and subject to the provisions of section 301, title VI, and Section 705 . . ."

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ADMINISTRATION SUGGESTED LANGUAGE ON UNBUNDLING

SEC. 105. TELECOMMUNICATIONS COMPETITION.

(a) Section 201(a) of the Communications Act of 1934 (47 U.S.C. §§ 201(a)) is amended by adding at the end thereof the following language:

"The duties of a carrier under Section 201(a) of this Act include the obligation to interconnect with the facilities and equipment of other providers of telecommunications and information services on reasonable and nondiscriminatory terms, in accordance with regulations adopted by the Commission.".

(b) Title II of the Communications Act of 1934 (47 U.S.C. §§ 201 et seq.) is amended by adding at the end the following new section:

"SEC. 229. TELECOMMUNICATIONS COMPETITION.

"(a) OBLIGATIONS OF LOCAL EXCHANGE CARRIERS--For the purposes of promoting the development of competition and the availability of telecommunications and information services to the public, within 1 year after enactment of this section, and consistent with its authority under section 230(b), the Commission shall adopt regulations to require each local exchange carrier, upon bona fide request, to provide to any entity seeking to provide telecommunications services or information services--

"(1) interconnection to the carrier's telecommunications facilities at any technically feasible and economically reasonable point within the carrier's network. Such interconnection shall generally entail the collocation necessary for interconnection at the carrier's premises. The Commission may allow actual or virtual collocation, as it finds to be technically feasible and economically reasonable;

"(2) nondiscriminatory access, on an unbundled basis, where technically feasible and economically reasonable, to any of the carrier's facilities or information, including databases and signalling systems, essential to the efficient transmission, routing, or other provision of any telecommunications or information service and the interoperability of both providers' networks, as needed to meet the purposes of this subsection;

"(3) nondiscriminatory access, where technically feasible and economically reasonable, to the poles, ducts, conduits, and rights-of-way owned or controlled by the carrier;

"(4) nondiscriminatory access to the network functions of the carrier's telecommunications network, such as local loop transport (including connections between end users and local end offices switches), local end office switching, and transport between local end offices and between local end offices and interexchange carrier points of presence, which shall be offered on an unbundled basis; and

"(5) telecommunications services and network functions without any restrictions on the resale or sharing of those services and functions.

"(b) PRICING REGULATIONS--Within 18 months after enactment of this section, and consistent with its authority under section 230(b), the Commission shall adopt

DRAFT 2/2/94 5:00 PM 3

regulations establishing the general terms and conditions under which a local exchange carrier must provide the unbundled facilities, services, and functions required by paragraphs (1) through (5) of subsection (a). Such regulations shall ensure, at a minimum, that--

"(1) the carrier provides those facilities, services, and functions on just, reasonable, and nondiscriminatory rates and other terms and conditions and that they are at least equal in type and quality to the facilities, services, and functions that the carrier provides to itself or any other person;

"(2) the rates charged by the carrier for the facilities, services, and functions required by paragraphs (1) through (5) of subsection (a) [recover or reflect] the costs incurred in providing them. Nothing in this subsection shall preclude the use of price cap or incentive regulation.

"(3) the carrier does not bundle together any elements, features, or functions for which unbundling is technically feasible and economically reasonable.

The States may adopt regulations implementing this subsection and paragraphs (1) through (5) of subsection (a) for intrastate services so long as such regulations are not inconsistent with those adopted by the Commission. In carrying out their obligations under this section, the Commission and the States shall prevent undue rate increases for any class or group of ratepayers.

"(c) TELECOMMUNICATIONS NUMBER PORTABILITY.--The Commission shall adopt regulations to secure telecommunications number portability at the earliest possible date. Such regulations shall ensure that--

"(1) telecommunications number portability shall be available, upon request, in a manner that is technically feasible and economically reasonable; and

"(2) an impartial entity shall administer telecommunications numbering and make such numbers available on an equitable basis.

The Commission shall have exclusive jurisdiction over those portions of the North American Numbering Plan that pertain to the United States.

"(d) EXEMPTIONS AND MODIFICATIONS.--The Commission may modify the requirements of subsections (a) through (c) for any small local exchange carrier (as defined by the Commission) or any local exchange carrier to the extent that it operates in a rural area, as defined in Section 851 of this Act.

#3

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ADMINISTRATION SUGGESTED LANGUAGE ON OPEN ACCESS

"(d) NONDISCRIMINATORY ACCESS REQUIREMENTS FOR CABLE TELEVISION SYSTEMS--

"(1) Within 1 year after enactment of this section, the Commission shall, after notice and comment, adopt regulations requiring cable operators to offer nondiscriminatory access to channel capacity on their systems for commercial and noncommercial use by persons not affiliated with them, except when technology, costs, and market conditions would make such offering inappropriate. Such nondiscriminatory requirements would supersede any obligations imposed on those cable operators by Section 612 of this Act. The channel capacity subject to nondiscriminatory access requirements shall not include any activated channels that are otherwise required for use (or the use of which is prohibited) by Federal law or regulation.

"(2) So far as is reasonable, in order to efficiently implement the purposes of this Act and to ensure similar regulatory treatment for similarly situated firms, the regulations adopted by the Commission pursuant to subparagraph (1) shall serve to conform cable operators' nondiscriminatory access obligations under this subsection to those of local exchange carriers under section 653.