G

US Trade Representative

- ~~NAFTA implementing legislation~~
- ~~Uruguay Round: Renew Fast Track/Implementing legis.~~
- ~~Super 301 authority~~
- ~~General System of Preferences~~ -- 1 year extension
- ~~Long-term extension of Fast Track~~ (bilaterals)
- ~~Caribbean basin initiative~~
- ~~Miscellaneous tariff bills~~

National Economic Council

- ~~China MFN decision (with NSC)~~
- ~~Barclays Bank matter~~
- ~~Multiple Purpose Vehicles~~
- National Telecom/Info Administration
- ~~Maritime reform~~ (DOT)
- ✓ Base closure commission report
- ~~Defense conversion white paper~~
- ~~Technology Reinvestment Program~~

See OSTP

<u>Department of the Treasury</u>

- ~~Credit crunch initiative~~
- ~~RTC funding~~
- ~~Government securities regulation~~
- ~~Reinventing government: tax simplification~~

Department of Commerce

- Export Administration Act extension [with NSC]
- ~~Clean car initiative~~ OSTP
- Civilian aviation initiative ?
- Economic Development Administration -- reauthorization

Office of Science and Technology Policy

- Technology Administration -- reauthorization
- Civilian technology initiative
- ~~[Strengthen structure (FCCSET, OSTP)]~~
- [Establish improved mechanism for private sector input]
- ~~Space station redesign~~
- NASA new technology initiative
- ~~Reorganization of national labs~~

~~Clean car~~

~~Tech. for ed. + training~~

~~Mfg research~~

~~info. infrastructure~~

~~R&D priorities~~

Department of Transportation

- ~~High-speed rail/MagLev~~
- ~~Airline Commission~~
- ~~Aviation Trust Fund~~
- ~~Hazardous Materials Transportation Act~~
- ~~National highway system~~
- ~~Amendments to Commercial Space Launch Act~~
- ~~PATCO~~
- ~~MARITIME~~

Department of Labor

- ~~Future of the Workplace initiative~~
- Comprehensive displaced workers program
- ~~Comprehensive workforce investment package~~
- Jobs Training Partnership Act -- reforms
- ~~OSHA reform~~
- Job corps expansion
- Pension Benefit Guaranty Corporation -- audit/reform
- Striker replacement
- ~~Family leave~~

Department of Energy

- ~~Super Collider (Japan)~~
- ~~Oil/natural gas initiative to encourage production~~
- ~~Implement 1992 Energy Policy Act~~
- ~~Alternative Fuel Vehicles Task Force~~

Department of Defense [HOLD]

- Gays in the military
- DoD reauthorization

Environmental Protection Agency

- ~~Environmental technology initiative~~
- ~~Safe drinking water~~
- ~~Clean Water Act -- reauthorization~~
- ~~Incineration policy initiative~~
- ~~Delaney Clause (banning pesticides for crop growing)~~
- ~~Resource Conversation and Recovery Act~~
- ~~Superfund~~

Office of Management and Budget

- Budget process -- ~~reconciliation~~/authorizations appropriations (with Leg. Affairs)
- FY 95 budget preparation
- Line-item

Domestic Policy Council

- ~~Welfare reform~~
- ~~Campaign finance reform~~ (with Communications)
- ~~Lobbying disclosure reform~~
- ~~Motor Voter~~
- ~~Empowerment zones~~
- ~~Community development banks~~
- ~~Immigration~~
- ~~Reauthorization of NEA~~
- ~~Confirmation of NEH Chair~~
- ~~Crime Bill~~
- ~~Office of Drug Control~~ Policy -- reauthorization
- ~~Gun control~~ -- Executive Orders

Health Care Reform Task Force

- Health care reform

Vice President

- ~~Reinventing government -- Performance review board~~
- ~~EPA bill~~

<u>National Service</u>

- ~~National Service legislation~~

Department of Interior

- Endangered species
- ~~Grazing fees~~
- Mining fees
- Everglades initiative
- Federal water projects
- Indian gaming
- Biological survey

Office of Environmental Policy

- Forest management
- Global climate change
- Biodiversity treaty (with State)
- President's Council on Sustainable Development
- Wetlands Task Force
- Agenda 21

Department of Education

- ~~Goals 2000 legislati~~on
- ~~Direct Student Loan legislati~~on
- ~~Elementary and Secondary Education Act reauthori~~zation
- Grants to support national education goals
- ~~Safe Schools Act~~
- ~~Youth Apprenticeship School to Work~~

Department of Housing and Urban Development

- ~~Housing reauthorization bill~~
- ~~Executive orders~~ -- ~~fair housing/homelessness/ federal property disposition~~
  ~~Affordable Housing~~

Health and Human Services

- ~~Childhood Immunization~~
- Abortion
    -- Hyde Amendment
    -- ~~Gag rule~~
    -- ~~NIH reauthorization~~
    -- Abortion clinic access
    ~~-- RU 486~~
- ~~Family preservation~~
- ~~Head Start improvement~~

	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Political / Scheduling		Texas Senate CA: Mayoral, Panetta	Tokyo Korea	Papal Visit	NY Mayoral Primary (9-14)		NJ Governor (11-2) VA Governor NY Mayoral	Begin End of Yr. Stories
Economic Plan • Budget • Tax • Human Capital • Technology	Reconciliation Striker Replacement	Appropriations Bills Workforce Inves. Pkg. Telecom Initiative	•Space Station Re-design	•Family Leave Effective	House/Senate Conf.			
Health Care		Plan Announc. Legislative Action ?						
National Service	Hearings/Floor	Floor/Signing •Summer of Service (6-24)				Launch of Ntl. Svc. Agency		
Political Reform	Senate Floor ?	House Floor						
Welfare Reform		EITC				Plan and Recommendations		Legislation ?
Reinventing Government					Plan Introduction	Legislation		
Gays / Military	Senate Hearings		• DOD Study (7-15) DOD Auth.					
Abortion		Appropriations Bills Healthcare						
Trade	MPVs	NAFTA Supplemental Agreements	NAFTA Legislation			Mexico Election		Uruguay Round
Environmental Initiatives		• Sec. Forest Report (6-1) Announce Forest Plan / Poss. Leg. Proposal	• Forest EIS Due (7-16)	• Climate Change Recs Due Plan/Legislation ?				Forest Rec. of Decision Due
National Security	Bosnia	• China MFN (6-3) Foreign Aid Bill (incl. Russia)	• G-7 Meeting					
Defense Conversion		BCC Finalizes List • WP on Conversion Plan	• Pres. Forwards/ Rejects list (7-15)			• Final Opportunity to Approve BCC List • Annct. of Technology Reinvest. Program		
Crime Bill								
Appointments	LAG Supreme Court Aids Czar NEA Chair		Non-career Ambassadors Supreme Court Hearings	JCS Federal Judges		NASA / FDA		
Additional Administrative Initiatives	Goals 2000	Empowerment Zones/CDBs			STAFF CUT [illegible]			

Sylvia

some ideas on issue management
OBJECTIVE:

- To guide in planning, message development, events planning and policy timing.

- To also allow the Administration to think strategically about its broad messages and themes and how particular events and announcements fit into that strategy.

THE ISSUE MANAGEMENT TOOL:

- A chart that includes **all** issues with different colors to signify different levels of importance to the Administration.

- The existing document we have will be updated by a number of different sources: DPC, NSC, and NEC will be required to do a major overhaul of the document quarterly and they, together with Christine Varney will be expected to update the document on an ongoing basis.

- The issue management process will be run by John Podesta's shop and input to the document and keeping it updated will be the responsibility of Podesta.

HOW WE USE THE DOCUMENT EFFECTIVELY:

- A weekly plan ahead meeting will be held on Fridays to go over the events of the week. The meeting will include Podesta, Neel, Gearan, Gergen, Stephanopoulos, Hale, some one from political, DPC, NSC, NEC. Others will be invited to the meeting based on the upcoming week. The meetings objectives:

– settle on a recommended Presidential schedule
– determine what we think the week's message will be and how we will get that message across. e.g. events, press interaction.
– determine next steps and responsibility for making the events and things we need to accomplish happen. Be specific and list those things. Neel together with Podesta will divide the responsibiltity of making sure that people get there things done.

- A monthly planning meeting will be held that goes over the upcoming month in a similar way, though not in as much detail.

- These meetings will all use the issue management document as their basis.

Things to add:
- Airline Commission
- NAFTA legal issues
- CDFI
- MPV by July 14th
- Barclays brief
- TWA
- PATCO
- Apprenticeship

What we want to accomplish
What is process to get there...

- plan Pres's time
- Red Flag
- permits ~~sect~~ groups issues together from communications stdpt

What does Atm stand for
what is larger goal

responsibility

- Ron Brown [illegible]
- goals 2000
- Welfare

~~Strategy~~

I game plan
II Objectives
III

Ahead of curve
instead of
having ~~getting~~ stuff
drop on my
head

D.T3 FR SM X2/TPX

DRAFT

This memo outlines the objectives of long term issue management, describes the issue management document, and suggests a process for long term issue management. A long term (a month or more ahead) issue management process will allow the Administration to think more strategically, as well as plan more effectively. This process will also feed into short term processes, such as the existing week ahead meeting.

Long term issue management will link our strategic goals as an Administration to the day-to-day functions that articulate our message and achieve our policy goals. For example, if the Administration decides that opportunity, responsibility and unity are the Administration themes and that a certain group of policies are the Administration priorities, the long term planning will focus on achieving both of these goals. (The Administration has decided on the policy objectives for the year, however, the broad strategic objectives are not as clear.)

OBJECTIVE OF THE LONG TERM ISSUE MANAGEMENT PROCESS:

- To guide in planning, message development, and policy timing.

- To help the Administration think strategically about its messages and themes and how particular events and announcements fit into those objectives. Some specific examples of how this process will be helpful:

  - Within the next month the Administration will receive the Airline Commission report, issue a PATCO executive order, and (though doubtful after last week) there could be problems with major airlines. By planning ahead, the Administration can think about how each of these events relates to the other and what signals we may send by our actions.
  - What is the relationship of PATCO, striker replacement legislation on the Hill, and other Labor issues? How should the Administration think about its actions and the timing of those actions?
  - How should the Administration relate different initiatives and policies (e.g. regulatory reform, reinventing government, crime bill, welfare reform and others) that represent the Administration's "New Democrat" side?

THE ISSUE MANAGEMENT TOOL:

- **A chart that includes all issues**, both policy and political, with different colors to signify different levels of importance to the Administration.

- The OEP, DPC, NSC, and NEC will do a major revision of the document quarterly and together with Christine Varney will **update the document on an ongoing basis** at weekly meetings held by John Podesta.

- **The issue management process will be run by John Podesta's shop** and maintenance of the document will be the responsibility of Podesta.

- Because such a document will create Administration "deadlines" and reveal what is or is not on the Administration's front burner, **the document should have very limited distribution.**

HOW TO USE THE DOCUMENT EFFECTIVELY:

- At a monthly planning meeting, using the issue management document, the upcoming month will be discussed. The meeting will include Podesta, Neel, Gearan, Gergen, Stephanopoulos, Hale, someone from political, DPC, NSC, NEC, OEP, and others determined by the issues to be discussed. The meetings' objectives include:

  – discussing the interrelationship of upcoming decisions and policy with each other and with the Administration's overall strategic agenda and policy agenda
  – discussing the strategic timing of the upcoming events
  – determining what the month's potential messages will be and to achieve those messages, e.g. suggested events, press interaction
  – determining a recommended Presidential schedule
  – determining next steps and responsibility for making the policy and events happen in a coordinated fashion. Be specific.

- These meetings will provide information for the week–ahead meetings.

- An early meeting of the issue management group will discuss the rest of the year from a strategic standpoint.

NEXT STEPS:

- <u>Update document.</u> The initial version of the document was near completion at the beginning of June, and Todd Stern is currently working with the policy councils to update it. He will complete this by Wednesday, July 14.

- <u>Decision to proceed.</u> Discussion early this week, after McLarty reviews memo.

- <u>Informing the staff of the process.</u> McLarty announces this process at the senior staff meeting and also sends a memo outlining the process. (May need to wait if announcing other management processes that are not yet ready.)

- <u>Hold initial meeting.</u> On Friday, July 16th hold first monthly issue management planning meeting.

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

June 4, 1993

MEMORANDUM FOR THE OFFICE OF CABINET AFFAIRS

FROM: Thomas Nides
Chief of Staff

SUBJ: Issue Management

This is in response to the memorandum of May 17 from Mark Gearan, John Podesta and Christine Varney, requesting Cabinet agencies to provide information concerning issues that will involve White House participation.

Attached is information on the list of USTR issues that were identified in the memorandum. For those issues that are active, we will provide weekly update information in a separate section of the USTR Weekly Report.

Attachments

NAFTA

USTR
ISSUE MANAGEMENT

Summary of Initiative
Draft Bill Implementing the North American Free Trade Agreement (NAFTA)- USTR will work with Congress to draft legislation implementing NAFTA and the agreements supplementing it, and to secure passage this year, in time for the agreements to be implemented by January 1, 1994. The bill is entitled to "fast-track" consideration in Congress.

Measure of Success
Enactment of NAFTA implementing legislation before January 1, 1994

Strategic Plan (tentative)
June - Formulation of draft NAFTA implementing language by USTR / USTR participation in informal Congressional hearings on the proposed legislation (if held)

July - USTR consultations with and draft mark-up by Congress

August - Formal submission of NAFTA implementing legislation

September - Passage of NAFTA implementing legislation

Level of Presidential/Vice Presidential Involvement
The President likely will have to deal personally with Congress. First, in June or July, after the supplemental agreements are concluded, the Administration, probably the President, will need to reach an understanding with the Congressional leadership on the timing and management of the NAFTA implementing bill, which will be considered under the "fast-track" process. Second, given the controversy about NAFTA, further Presidential involvement will be needed to garner public and Congressional support to strike bargains regarding specific language deemed essential by the Administration.

Agency Lead/Coordination
USTR will lead and pursue this endeavor.

Weekly Update/Forecast
See above

Key Contacts

USTR -	Rufus Yerxa	x. 5114
	Chip Roh	x. 4866
	Ken Freiberg	x. 7305

6/4/93

USTR
ISSUE MANAGEMENT

Summary of Initiative
Draft Bill Renewing Uruguay Round "Fast Track" Authority- The draft bill would extend negotiating authority and fast track implementation procedures for the GATT Uruguay Round negotiations for an additional ten and one-half months (from June 1, 1993 to April 15, 1994) and would expand to 120 days the period between notification to the Congress of the President's intention to enter into the agreements and signature of the agreements, to afford ample time for consultation between the Administration and Congress. This legislation is essential for us to conclude the negotiations by December 15, 1993.

Measure of Success
We need passage of proposed renewal legislation without additional Congressional amendments that constrain or limit the President's flexibility to conclude the negotiations by December 15. We are also seeking **immediate** renewal of fast track in order to meet the President's objective of securing G-7 agreement on key issues in the Round by the July 7-8 Economic Summit meeting in Tokyo.

Strategic Plan
A bill acceptable to the Administration has already been approved by the House as part of the Budget Reconciliation package. In the Senate, Chairman Moynihan has agreed to press for approval of "clean" (e.g., as approved in the House, with no amendments or other terms or conditions) fast track legislation prior to the G-7 meeting. Senators Danforth and Rockefeller are considering non-binding resolutions setting forth new negotiating objectives for the Uruguay Round, which we do not think would be helpful. Consultations on this with the staff and members are on-going.

Level of Presidential/Vice Presidential Involvement
Involvement by the President and Vice President is likely.

Agency Lead/Coordination
USTR will lead this effort, with support from Treasury, Commerce State, Agriculture, Justice and EPA, given their respective interests in the various aspects of the negotiations.

Weekly Update/Forecast
See above

Key Contacts
USTR - Ira Shapiro x. 3150

6/4/93

USTR
ISSUE MANAGEMENT

Summary of Initiative
"Super 301" Authority- For now, USTR is reserving its position on recommending the reenactment of "Super 301" (section 310 of the Trade Act of 1974, as amended), since we wish to use such a legislative initiative as leverage with our trading partners.

Measure of Success
If legislation is proposed, the measure of success would be enactment of "Super 301" provisions (1) reflecting input by the United States Trade Representative on behalf of the President and (2) framed in a legislative context (e.g., the legislative vehicle on which it rides) acceptable to the Administration.

Strategic Plan
As opposed to any preconceived plan, approach will involve a series of tactical responses to developments as they occur.

Level of Presidential/Vice Presidential Involvement
Given the contingencies ahead, it is premature to assess this now.

Agency Lead/Coordination
As events warrant, USTR will lead and pursue this endeavor.

Weekly Update/Forecast
See above

Key Contacts

USTR -	Jane Bradley	x. 3432
	Tim Reif	x. 6800
	Nancy LeaMond	x. 6951

6/4/93

USTR
ISSUE MANAGEMENT

Summary of Initiative
GSP Draft Bill: (1) extends the GSP program expiration date to September 30, 1994 (giving the Administration time to work with Congress to develop a long-term GSP renewal proposal), and (2) allows for designating, as eligible under the GSP program, the Newly Independent States of the former Soviet Union.

Measure of Success
Enactment of the GSP program extension draft bill provided by the United States Trade Representative on behalf of the President, and designation of Russia as GSP beneficiary (assuming positive results from the TPSC review)

Strategic Plan
Already passed by the House of Representatives, a majority of members of the Senate Finance Committee (SFC) have voiced their support to advance the proposed GSP legislation as a "clean" bill, and to consider it quickly. Given that, with a view toward enhancing an already favorable Congressional climate, the strategic plan would involve ongoing communication with SFC members and the Senate particularly, and with Congress generally, to get the GSP program extension bill passed.

Level of Presidential/Vice Presidential Involvement
The President would sign this legislation into law, and then be in a position to fulfill his objective to designate Russia (or other Newly Independent States) as a GSP beneficiary.

Agency Lead/Coordination
USTR will lead this effort, with Treasury, Commerce and State playing a supporting role.

Weekly Update/Forecast
See above

Key Contacts
USTR - Joe Damond x. 6971
Laura Sherman x. 3150

6/4/93

USTR
ISSUE MANAGEMENT

Summary of Initiative
Long-Term Extension of Fast Track- Although no proposals in this area have been set forth to date, initiatives are being formulated for consideration before the end of the year.

Measure of Success
Not applicable (N/A)

Strategic Plan
N/A

Level of Presidential/Vice Presidential Involvement
N/A

Agency Lead/Coordination
N/A

Weekly Update/Forecast
N/A

Key Contacts
N/A

6/4/93

USTR
ISSUE MANAGEMENT

Summary of Initiative
Caribbean Basin Initiative (CBI) - Although USTR is drafting the annual CBI report to Congress, due October 1, 1993, it is engaged in no other CBI-related initiatives.

Measure of Success
Not applicable (N/A)

Strategic Plan
N/A

Level of Presidential/Vice Presidential Involvement
Other than in the transmittal of the CBI report to Congress, there is no Presidential involvement.

Agency Lead/Coordination
N/A

Weekly Update/Forecast
N/A

Key Contacts
N/A

6/4/93

USTR
ISSUE MANAGEMENT

Summary of Initiative
Miscellaneous Tariff Bills- For the moment, there are no miscellaneous tariff bills under consideration by USTR.

Measure of Success
Not applicable (N/A)

Strategic Plan
N/A

Level of Presidential/Vice Presidential Involvement
N/A

Agency Lead/Coordination
N/A

Weekly Update/Forecast
N/A

Key Contacts
N/A

6/4/93

THE WHITE HOUSE

WASHINGTON

May 18, 1993

MEMORANDUM FOR MARK GEARAN
JOHN PODESTA
CHRISTINE VARNEY

THROUGH: Sylvia Mathews

FROM: Peter Yu PY

SUBJECT: Issue Management: *Barclays Bank* v. *Franchise Tax Board*

Summary of Initiative

Earlier this year, Barclays Bank filed a petition with the Supreme Court seeking review of a state court ruling upholding the constitutionality of California's "unitary tax" on multinational corporations. In April, the President decided that the Administration should *not* file an unsolicited brief in this case. In early May, the United Kingdom announced that it plans to retaliate against US-based multinational corporations with operations in the UK. On March 17, the Supreme Court asked the Administration to file a brief in this case.

This is not an Administration "initiative"; we are in a largely reactive posture. Nonetheless, this issue warrants Presidential involvement because it presents (i) a large potential liability ($2 billion or more) for California, (ii) a high risk of international retaliation, and (iii) fundamental questions of corporate tax policy.

Measure of Success

The issue has both political and policy dimensions. Politically, our objective is two-fold: to minimize California's liability and to minimize international repercussions. In terms of policy, our objective is to develop an Administration position on the underlying issue: the acceptability of state use of unitary tax methodologies.

Strategic Plan

Political dimension:

The major constraint here is time: by convention, the Administration files requested briefs within 60 days, leaving an effective deadline of mid-July.

We plan a negotiation strategy that begins with simultaneous information-gathering conversations with the UK and California officials, both to be conducted by Treasury. Then, subject to limits set by a (requested) ruling from the White House Counsel, we will enter negotiations with California to attempt to secure changes in tax policy that would reduce the threat of UK retaliation. Treasury and State will work closely with Political Affairs in this process.

Policy dimension:

A Supreme Court brief is a poor forum for articulating tax policy, and brief-writing is a poor context within which to formulate tax policy. There was some consensus in early conversations that, irrespective of the Administration's position on the tax policy issue, certiorari would be inappropriate in this case because the statute under challenge was no longer in effect. This offers a useful interim resolution of the policy issue: file a brief arguing against certiorari, while at the same time developing policy through the established policy processes.

However, should negotiations with California fail, some resolution of the underlying policy issue *before* the brief is filed may be necessary.

Level of Presidential/Vice Presidential Involvement

We anticipate only minimal Presidential involvement during the negotiation period. Should negotiations with California fail, a Presidential decision either on strategic issues or on the underlying tax policy issue may be required.

Agency Lead and Coordination

Bob Rubin chairs an informal group coordinating this effort. Treasury and State, working with the Political Office, will conduct the negotiations. Commerce, USTR, NSC, and Justice will participate in strategic and tactical discussions. Justice will be responsible for drafting the *amicus* brief.

Weekly Update/Forecast

Negotiations will begin immediately.

Key Contacts

NEC -- Bob Rubin
Treasury -- Les Samuels
State -- Dan Tarullo
Political Office -- John Emerson

Justice -- Walter Dellinger
NSC -- Tony Wayne
USTR -- Bennett Harman
Commerce -- Larry Parks

BR/Bo/GS/SM

THE WHITE HOUSE

WASHINGTON

May 21, 1993

MEMORANDUM FOR MARK GEARAN
JOHN PODESTA
CHRISTINE VARNEY

FROM: BOB KYLE BK
MIKE FROMAN MF

SUBJECT: MPV Reclassification

As you recall, during the campaign, the President criticized the Bush Administration for overruling a Customs Service decision to classify all imported multi-purpose vehicles (MPVs) as trucks without getting anything from the Japanese is return. (Trucks are subject to a 25% tariff, while cars are subject to a 2.5% tariff.) Currently, 2-door MPVs are classified as trucks, while 4-door MPVs are treated as cars. At issue is whether we should reclassify all MPVs as trucks.

An interagency group has been working to prepare a number of options for consideration by the President: 1) to reclassify all MPVs as trucks, 2) to threaten but delay reclassification pending a broader agreement with Japan on autos and auto parts, or 3) to integrate consideration of the MPV and other auto issues into the broader framework negotiations with Japan.

On May 14, the Court of International Trade (CIT) rejected the classification of the 2-door Nissan Pathfinder as a truck. Treasury, Justice, and NSC Legal Counsel currently are reviewing the decision. It is clear, however, that this decision will have a significant effect on our proposed options.

The question now is whether 1) to take no further action and treat all MPVs as cars, 2) to appeal the decision, 3) to reclassify MPVs by administrative action despite a likely reversal by the CIT, or 4) to support legislation that treats MPVs as trucks and that, therefore, insulates reclassification from CIT review. The NEC is currently weighing these alternatives and will convene an interagency group to refine these options further.

An appeal/reclassification would help us with blue-collar workers and the Big 3 automakers. However, we would be challenged in the GATT and be strongly criticized by our trading partners. In addition, a number of consumer groups have organized to oppose the increase in MPV prices that might accompany reclassification.

By June 14, we must decide whether to appeal the CIT's decision. There are no other deadlines for action.

As the home of the Customs Service, Treasury officially has the lead on this issue. Other agencies involved include USTR, Commerce and State. Within the White House, CEA and Political Affairs (Raum Emanuel) have been involved, and Communications and Legislative Affairs might be brought in as the issue develops. Substantial personal involvement of neither the President nor the Vice President is expected to be required.

THE WHITE HOUSE

WASHINGTON

done

MEMORANDUM FOR MARK GEARAN
JOHN PODESTA
CHRISTINE VARNEY

FROM: ROBERT KYLE
KENT WIEDEMANN
MICHAEL W. PUNKE

RE: ISSUE MANAGEMENT, CHINA MFN

DATE: MAY 21, 1993

Summary of Initiative

By June 3, the President must decide whether to extend most favored nation trade status ("MFN") to China under the so-called "Jackson-Vanik" amendment. The President also must decide whether to establish new conditions for future renewals of China's MFN. Without MFN, tariffs on imports from China rise sharply, creating a substantial risk of retaliation against U.S. exports. This issue is now on an extremely fast track, with a Presidential decision, final Congressional consultations, and an announcement likely in the next few days.

In the three years following Tiananmen Square, Congress sparred with President Bush over whether to establish new conditions (addressing human rights, arms proliferation and trade barriers) to annual MFN renewal for China. Each year, President Bush (with the support of most of the business community) defeated efforts to establish new, tougher conditions. During the campaign, the President expressed support for new conditions.

Measure of Success

There are two key measures of success:

(1) Advancing the President's stated goals of promoting Chinese reform in the areas of human rights, arms proliferation and trade.

(2) Establishing a balanced policy that wins the support of Congress, while not alienating the business community.

Strategic Plan

An interagency group led by the State Department and NSC has been active on China issues for several months. In advance of the upcoming MFN decision, the State Department sent a team to China to discuss U.S. expectations with the Chinese. Results were disappointing.

On the Congressional front, Administration officials from State, NSC and NEC have consulted extensively with key leaders on the China issue.

The NSC Deputies met this week to formulate a specific policy recommendation for the President. A memorandum with the recommendation will move to the President today or tomorrow.

Level of Presidential Involvement

At an appropriate point over the next few days, the President may be asked to make telephone calls to Senator Mitchell and Congresswoman Pelosi to ensure they are supportive of the new policy. The President also may be asked to announce the new policy next week with a brief statement to the press.

Agency Lead and Coordination

State and NSC have taken the lead on this issue.

Key Contacts

Key contacts on China MFN are Sandy Berger, Bob Kyle, Kent Wiedemann, and Michael Punke.

Issue: White Paper on Defense Reinvestment and Conversion

Summary

The Working Group on Defense Reinvestment and Conversion is preparing a white paper, as promised in the March 11 summary of the President's defense conversion initiative. The white paper will elaborate our response to the "three faces of conversion" -- workers, communities and technology. It will discuss the economic and historical context, enunciate our objectives, highlight our priorities, detail next steps, and indicate how we will measure success.

Measure of Success

If the white paper is positively received by Members of Congress, the press, and other opinionmakers concerned with defense conversion, that would constitute success.

Strategic Plan

May: Brief key Members of Congress and staff on proposed content of white paper.

Mid-June: Circulate draft of paper to ECON2 for agency input.

Late June: Release white paper.

Level of Presidential Involvement

Little or none. There will be no new money or new programs for defense conversion announced in the white paper, so I doubt that it would merit presidential involvement.

Agency Lead and Coordination

The NEC has the lead. The Departments of Defense, Commerce, Labor, Energy, Transportation, Veterans Affairs, and the Small Business Administration are also involved.

Weekly Update/Forecast

No major actions expected in the next two weeks.

Key Contacts

NEC: Dorothy Robyn (X2654), David Lane (X6722)
OSTP: Kitty Gillman (X6175)
NSC: Steve Jones (X4970)

NEC

Issue: Technology Reinvestment Project

Summary

The Technology Reinvestment Project (TRP) is a key part of the President's Defense Reinvestment and Conversion Initiative. The $500 million TRP consists of eight statutory programs established under the Defense Conversion, Reinvestment and Transition Assistance Act of 1992. These programs represent a pathbreaking effort to promote technological competitiveness, generally, and defense reinvestment and dual-use capabilities, specifically. Matching funds, on a competitive basis, will go to 1) industry-led consortia to develop technologies with the potential for commercialization within five years; 2) manufacturing extension programs and other innovative mechanisms to deploy existing technology and best practices; and 3) programs to educate and train manufacturing engineers and technicians.

Measure of Success

Short-run: The TRP has already succeeded in generating enormous interest within industry. (More than 8000 people have called the TRP's 1-800-DUAL-USE hot line, and as many have attended one of the 14 regional briefings on the TRP.)

Medium-run: (1) Will firms and other applicants submit strong proposals? (2) Will Congress continue funding the TRP?

Long-run: (1) Will the TRP lead to new commercial products, create new jobs, and enhance U.S. competitiveness. (2) Will industry point to the TRP as a model of technology policy?

Strategic Plan

May 14: Official solicitation for proposals went out.

July 23: Deadline for proposals.

September: Awards will be announced.

Level of Presidential Interest

The President should continue to mention the TRP in his speeches and remarks on defense conversion. When the awards are announced in September, the President may want to schedule an event around one of the successful proposals (e.g., CALSTART, California's electric car consortium).

Agency Lead and Coordination

ARPA (DoD) has the lead. The Departments of Commerce and Energy, the National Science Foundation and NASA are also involved.

Weekly Update/Forecast

No major actions are expected in the next two weeks.

Key Contacts

NEC: Dorothy Robyn (X2654), David Lane (X6722)
ARPA: Lee Buchanan (703/696-2237)
Commerce: Phil Nanzetta (301/975-3414)

DEPARTMENT OF THE TREASURY
WASHINGTON

May 21, 1993

MEMORANDUM FOR MARK GEARAN
JOHN PODESTA
CHRISTINE VARNEY

FROM: PHILIP N. DIEHL
COUNSELOR TO THE SECRETARY AND CHIEF OF STAFF

SUBJECT: Issue Management

This is in response to your memorandum of May 17, 1993, requesting that the Department of the Treasury prepare issue management submissions with respect to its initiatives concerning credit availability, funding for the Resolution Trust Corporation, the regulation of Government securities, and tax simplification.

The requested submissions are attached. Please contact Pat O'Donnell (622-0059) if you have any questions or require additional information.

Attachments

DEPARTMENT OF THE TREASURY

ISSUE MANAGEMENT: CREDIT AVAILABILITY PROGRAM

(As of May 21, 1993)

Summary of Initiative

The purpose of the credit availability program announced by the President on March 10 is to administratively address the problems of credit availability, especially for small- and medium-sized businesses. The program focuses on five areas that may contribute to reluctance by banks and thrifts to lend: lending to small- and medium-sized businesses; real estate lending and appraisals; appeals of examination decisions and complaint handling; examination processes and procedures; and paperwork and regulatory burdens.

Measure of Success

The success of this initiative is an increase in bank and thrift lending. Treasury's Office of the Comptroller of the Currency (OCC) is implementing steps to measure the impact that changes in agency administrative policies and regulations have in increasing credit availability.

For example, the OCC is directing examiners to document whether individual banks are making loans consistent with the March 30 Interagency Policy Statement on Documentation for Loans to Small- and Medium-Sized Businesses and Farms. This policy allows banks and thrifts to make small- and medium-sized business and farm loans with minimal documentation, subject to certain limitations. Other measures of the program, such as the enhanced appeals program, will allow the agencies to determine if examiners are implementing this and other agency policies.

Strategic Plan

Since the program was announced by the President on March 10, the Department and the four bank and thrift regulatory agencies have taken aggressive steps to implement virtually every action item by June 10.

Level of Presidential/Vice Presidential Involvement

This initiative will not require any significant involvement of the President or the Vice President unless it is determined that the agencies' administrative actions should be supplemented by legislation. The President, however, has a strong interest in this initiative.

Agency Lead and Coordination

The Department of the Treasury's OCC, is coordinating this joint interagency project with Treasury's OTS, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation.

Key Contacts

- White House Policy:
- White House Communications:
- White House Legislative Affairs:
- Department of the Treasury: Frank Newman, Under Secretary for Domestic Finance; Eugene Ludwig, Comptroller of the Currency; Jonathan Fiechter, Acting Director, Office of Thrift Supervision.

DEPARTMENT OF THE TREASURY

ISSUE MANAGEMENT: FUNDING FOR THE RESOLUTION TRUST CORPORATION AND THE SAVINGS ASSOCIATION INSURANCE FUND

(As of May 21, 1993)

Summary of Initiative

Providing appropriate funding for the Resolution Trust Corporation (RTC) and the Savings Association Insurance Fund (SAIF) is required to complete the savings and loan cleanup and start SAIF on a sound financial footing. The Federal government has a responsibility to honor its commitment to Federal deposit insurance and to protect the Nation's insured thrift depositors.

Measure of Success

Passage of an RTC/SAIF funding bill that provides funds adequate for the RTC to complete its job and for SAIF to begin its job on a sound financial footing.

Strategic Plan

- The Administration has transmitted to the Congress legislation requesting $42 billion: $25 billion for the RTC and $17 billion for SAIF.

- On May 13, the full Senate, by a vote of 61-35, passed S. 714, the Thrift Depositor Protection Act of 1993.

  -- The bill would appropriate $18.3 billion for the RTC and $8.5 billion for SAIF, and authorize an additional $7.5 billion for SAIF subject to future appropriations.

  -- The S. 714 funding level is less than that sought by the Administration, but is a reasonable and responsible sum.

- The House is expected to vote on H.R. 1340, the Resolution Trust Corporation Completion Act of 1993, sometime in June.

  -- The bill would appropriate $18.3 billion for the RTC, but appropriate no SAIF funds and instead only authorize $16 billion for SAIF subject to future appropriation.

- The differences will be resolved in Conference, with final passage expected by the end of June.

Level of Presidential/Vice Presidential Involvement

Passage of adequate RTC/SAIF funding legislation by the House and in Conference will likely require the involvement of the President. It will be important to show reluctant members of Congress that the President is committed to honoring our deposit insurance commitment to thrift depositors by allowing RTC to complete its job and allowing SAIF to begin business on a sound financial footing.

Agency Lead and Coordination

The Department of the Treasury is the lead agency. Other agencies involved are the Thrift Depositor Protection Oversight Board, the RTC, the Federal Deposit Insurance Corporation, Treasury's Office of Thrift Supervision, the National Economic Council, and the Office of Management and Budget.

Key Contacts

- White House Policy:
- White House Communications:
- White House Legislative Affairs:
- Department of the Treasury: Frank Newman, Under Secretary for Domestic Finance; Joan Affleck-Smith, Director, Office of Financial Institutions Oversight and Policy.

DEPARTMENT OF THE TREASURY

ISSUE MANAGEMENT: GOVERNMENT SECURITIES REGULATION

(As of May 21, 1993)

Summary of Initiative

To reauthorize the Department of the Treasury to exercise rulemaking authority under the Government Securities Act of 1986 (GSA). The Department's rulemaking authority expired October 1, 1991. The GSA granted the Treasury rulemaking authority for government securities brokers and dealers. These rules are enforced by the Securities and Exchange Commission (SEC) and the banking regulators.

While previously issued Treasury rules remain in effect, the Department is unable to modify or grant exemptions to them, or to issue new rules. Consequently, the Treasury has been unable since October 1991 to make appropriate changes in the regulation of Government securities brokers and dealers.

Measure of Success

Passage of legislation (1) reauthorizing Treasury's rulemaking authority and (2) making other amendments to the GSA that the Administration either supports or can accept as part of a compromise package.

Strategic Plan

Legislation introduced in both the House and Senate would restore the Department's rulemaking authority, as well as make other changes in the GSA. The House bill would grant more new authority to the SEC than would the Senate bill. The contentious issues revolve around how much more regulatory authority is needed over this market and what agencies should be vested with the new authority.

The timing is uncertain, but the goal should be to enact legislation this year. The Treasury plans to hold discussions with the various Congressional committees both on issues of timing and on the possibility of obtaining a compromise that can pass both the Senate and the House and is acceptable to the Administration.

Level of Presidential/Vice Presidential Involvement

Minimal.

Agency Lead and Coordination

The lead agency for this initiative is the Department of the Treasury. The SEC and the Federal Reserve can be expected to differ with the Treasury on particular aspects of the legislation. In general, the SEC can be expected to argue for more regulatory powers over this market, while the Federal Reserve will likely oppose this.

Key Contacts

- White House Policy:
- White House Communications:
- White House Legislative Affairs:
- Department of the Treasury: Frank Newman, Under Secretary for Domestic Finance; Norman Carlton, Director, Office of Federal Finance Policy Analysis

DEPARTMENT OF THE TREASURY

ISSUE MANAGEMENT: TAX SIMPLIFICATION AND GOOD GOVERNMENT

(As of May 21, 1993)

Summary of Initiative

This initiative is composed of (1) simplification amendments to the Internal Revenue Code of 1986 (IRC) that would allow a joint return to be filed after a separate return without full payment of taxes; expand the "offers-in-compromise" program; allow alternative methods of verifying returns; allow the payment of tax by credit cards; simplify the employment tax treatment for domestic household employees; allow a *de minimis* exception to the passive loss rules; simplify the foreign tax credit limitation for individuals; extend the interest-free period for remitting tax; provide authority to waive requirements for paper documentation; simplify third party sick pay reporting; and standardize the FICA withholding period for payers of third party sick pay; and (2) "good government" amendments to the IRC concerning the use of reproductions of returns stored in digital image; the extension of authority for IRS undercover operations; disclosure of returns on cash transactions; cooperative agreements for Federal income taxes; allowing the offset of Federal tax refunds to satisfy State tax liabilities; and facilitating the joint filing of common tax data with State authorities.

Measure of Success

Passage of legislation enacting the simplification and "good government" proposals.

Strategic Plan

Given other legislative priorities, including the President's economic plan, the Department and the IRS will proceed cautiously in working with the House Committee on Ways and Means and the Senate Committee on Finance as they develop tax proposals. These initiatives will be pursued only to the extent they do not jeopardize or conflict with the President's economic program.

A number of the initiatives may be subject to deliberation as members of the Ways and Means Committee debate "member bills" over the next couple of weeks. In addition, the Senate may consider a number of the initiatives as minor amendments to the Budget Reconciliation bill.

Simplification of employment tax treatment for domestic household employees is currently being addressed in the Ways and Means report on Budget Reconciliation (H.R. 2141).

Level of Presidential/Vice Presidential Involvement

Other than with respect to simplification of employment tax treatment for domestic household employees, little or no involvement of the President or the Vice President is anticipated.

Agency Lead and Coordination

The Department of the Treasury and the Internal Revenue Service.

Key Contacts

- White House Policy:
- White House Communications:
- White House Legislative Affairs:
- Department of the Treasury: Leslie B. Samuels, Assistant Secretary for Tax Policy; Samuel Y. Sessions, Deputy Assistant Secretary for Tax Policy; Gary J. Gasper, Senior Advisor to the Assistant Secretary; Margaret Richardson, Commissioner of Internal Revenue; Gayle Morin, Assistant to the Commissioner for Legislative Affairs.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20506

Sylvia,

Here are issue management memos from OSTP. Updates/additions are already in progress.

Tim

Please call re: issue management paper.
SMat 2174

May 21, 1993

Clean Car Initiative

Summary of Initiative:
This initiative is designed to facilitate private sector development of a new class of automobiles that can provide attractive, safe transportation from domestic energy resources with minimal impact on the environment. US development of such a vehicle would be an important step in restoring the technological leadership of the US automobile manufacturers.

Measure of Success:
Active government/industry research and development partnerships aimed at putting a "clean car" on the market in a decade. The vehicle would have performance and driving costs comparable to today's vehicles.

Increased productivity and creation of high-quality jobs in the US automobile industry and Increased domestic and international market-share for US manufactured automobiles

Major long-term gains in urban environmental quality and reduction in greenhouse gases associated with light-duty vehicles.

Strategic Plan

Work with the US auto makers to design a set of strategic objectives for development of a clean car

Create a government/industry partnership designed to set priorities for federal research based on these goals

Manage federal research programs in product and process technologies in ways that can support these priorities

May-August 1993

reach an agreement about objectives with the US auto industry

identify the contributions US agencies can make to the research effort

work with the industry to develop a structured set of research projects for near, mid, and long-term research

implement a series of cost-shared research projects in which the extent of government cost sharing would be proportional to the risk of the technology supported.

Level of Presidential/Vice Presidential Involvement

The President and Vice President may want to meet with the CEOs of the US auto industry to announce the initiative

Agency Lead and Coordination:

OSTP is leading the effort with the cooperation of the NEC. An interagency task force is already at work creating an inventory of relevant agency research activities already underway.

Weekly Update/ Forecast :

We hope to have an agreement with the industry ready for release within two weeks.

Key Contacts:

OSTP:	Henry Kelly
NEC:	Ellen Seidman
OVP:	Greg Simon
Commerce:	Johnathan Silver
DoE:	Susan Tierney
EPA:	Robert Sussman
DOT:	Joseph Canny

May 21, 1993

Reorganize and Strengthen FCCSET

Summary of Initiative

The Federal Coordinating Council for Science, Engineering, and Technology (FCCSET) will be strengthened by (1) clearly establishing its basis by statute or Executive Order; (2) assigning it authority to establish policy and research and development (R&D) budget priorities as well as to coordinate R&D programs across agencies; (3) involving the active participation of senior policy level officials in departments and agencies; and (4) streamlining its operations and eliminating committees and working groups whose activities are not central to advancing the Administration's science and technology agenda. While the FCCSET has demonstrated effectiveness in coordinating R&D programs across agencies, it needs to have the endorsement of the President and the Vice President as the Administration's vehicle to set priorities for the R&D budget.

Measure of Success

Passage of legislation is needed to clarify the status of FCCSET and its authority, and to void previous legislative mandates currently preventing reorganization. Resist Congressional pressure for additional legislatively mandated structures.

Issuance of Executive Order to give FCCSET appropriate authority to set policy and R&D budget priorities.

Reconstitution of FCCSET and its committees and working groups by OSTP.

Strategic Plan

Key decision points: (1) Recommendation by Director of OSTP on structure of FCCSET and its new authorities; (2) concurrence by Director of OMB on FCCSET role in R&D budget priority setting; and (3) approval by the President of Executive Order to implement FCCSET restructuring.

Anticipated legislative calendar: Legislation likely to originate in House Science, Space, and Technology Committee June/July 1993, initial hearings scheduled for July 93.

Key public action points: The President and the Vice President should announce the strengthening and reinvigoration of the FCCSET in speeches at the time the Executive Order is issued.

Probable ending point: September 1, 1993.

Level of Presidential/Vice Presidential Involvement

The Vice President will be involved with discussions with the Director of OSTP about the recommendations and options for strengthening the FCCSET. The Vice President and the Director of OSTP will present the recommendations to the President.

The President and the Vice President will be requested to attend the first meeting of the reconstituted FCCSET to indicate their support of its new roles.

Because of his overall responsibilities for science and technology, the Vice President will have continuing involvement and participation in the FCCSET, particularly in setting Administration policy and providing general policy guidance.

Agency Lead and Coordination

OSTP will have lead responsibility for developing the options, recommendations, draft legislation, and draft Executive Order. The proposals will be coordinated with OMB. The science and technology departments and independent agencies will be consulted.

Weekly Update/Forecast

No actions involving the President or the Vice President are expected during the next two weeks.

Key Contacts

OSTP: Tim Newell, Holly Gwinn

May 21, 1993

Redesign of Space Station Freedom

Summary of Initiative

In March the EOP asked NASA to redesign the Space Station Freedom program to "significantly reduce development, operations, and utilization costs while achieving many of the current goals for long duration scientific research." Principal goals for this review are:

- o Build a space station that is substantially cheaper than Space Station Freedom;
- o Free up resources within the out-year NASA budget to fund a new industry-focused technology investment package for NASA;
- o Work to achieve no net job loss from the space station redesign in regions most affected by the aerospace downturn;
- o Take full advantage of the existing space station investment to reduce termination costs and job dislocation; and,
- o Maintain the cooperation of our international partners.

Measures of Success

Successfully move NASA authorization and appropriations bills through the Congress which reflect the final Administration position on funding and design of the space station.

Strategic Plan

To implement this decision, we asked NASA and our international partners to establish a Space Station Redesign Team. The international Space Station Redesign Team has been working nearly around the clock since early March and is now focusing their attention on three technical options.

In addition to their assembling a Space Station Redesign Team, we also asked NASA to assemble a team of top experts from the United States and from our international partners to serve on a special Advisory Committee. This Advisory Committee, led by Dr. Charles Vest, President of MIT, has been asked to assess each of the options developed by the Redesign Team and comparing them with the previous station design and cost. As part of this review, the Panel is also assessing needed changes in NASA management and operations.

- o We should receive near-final budget numbers by May 28, with the development of options paper completed during the following week. We must determine if any option is acceptable to the White House. If the answer is "yes" then we need to develop a clear plan to sell this option to Congress and our international partners.

- The Vest recommendations on management and operations reform will be coordinated with broader Administration efforts to "reinvent government."
- If no option is acceptable to the White House then we need to develop a clear "termination strategy" for dealing with Congress, our international partners, and the states that will experience the greatest job loss.

[See attached page for key decision points and anticipated legislative calendar.]

Level of Presidential/Vice Presidential Involvement

- Within the next two weeks, the Vice President will probably need to engage with key Congressional members to begin to explain the Administration's position on the space station redesign.
- Following the delivery of the Vest Advisory Committee report on June 10, the President will have to decide which, if any, of the three space station options he wishes to support.
- Implementing this decision is may require a substantial legislative lobbying effort on the part of both the President and the Vice President.

Agency Lead and Coordination

- NASA has the lead and has been working directly with OSTP throughout this effort.
- Within the White House, OSTP has been coordinating a senior working group composed of OSTP (Gibbons), OVP (Simon), NEC (Cutter), and OMB (Peroff). The State Department has been kept apprised of our activities as necessary.
- The OSTP group has also been coordinating with the OVP/NSC group following-up on the Vancouver Summit proposal that the US and Russia establish a Commission on Energy and Space.

OSTP: Rich Dalbello
NASA: Dan Goldin
Jeff Lawrence (legislative)

May 21, 1993

Technology for Education and Training

Summary of Initiative:

The project is designed to ensure that every American will have access to quality education and training tailored to their specific needs and backgrounds regardless of their location or personal situation. The initiative covers education from pre-school through university, school-to-work training, and other training and retraining needs. Special emphasis will be placed on the learning needs of people who do not intend to go to college and on displaced workers.

Measure of Success:

Rapid growth in the market for education and training courseware with proven effectiveness

Availability of high-speed communications providing all Americans access to education and training services

Industrial consortia and regional alliances designed to develop new teaching systems and ensure its rapid adoption and use by schools, businesses, and other teaching institutions

Development and adoption of national software and communication standards for education and training.

Strategic Plan

OSTP is working with NEC to create an interagency task force that will implement the following :

Create an interagency task force that will link organizations with major responsibilities in providing education and training services (Education, Labor, HHS, DoD training) with organizations responsible for developing advanced information technologies (NSF, DoD/ARPA, DoE).

Identify strategies for encouraging the development of advanced education and training systems and for encouraging markets for attractive systems

Develop national technical standards for instructional software and associated information technologies. Well designed standards can ensure large markets for new software products and drive down the price.

Stimulate federal, state, and private research and development programs to facilitate the creation and adoption of innovative education and training technologies and teaching strategies built around these technologies

May-August 1993

Complete action on the first two steps in the strategic plan and begin public meetings designed to solicit participation from associations representing a variety of education, training, business, and other interests. Work with pending and proposed legislation

Level of Presidential/Vice Presidential Involvement

The President or Vice President may wish to participate in a major announcement when a set of agency initiatives is ready to be released. The Vice President will be asked to keynote the Inter service/Industry Service Simulation, Training, and Education Conference in Orlando Florida in late November 1993.

Agency Lead and Coordination:

OSTP is leading and coordinating the effort in cooperation with NEC

Weekly Update/ Forecast :

No critical events expected in the next two weeks.

Key Contacts:

White House

OSTP:	Ed Fitzsimmons
NEC:	Bonnie Deane

Primary Supporting Agencies

Education:	Jonathan Hoyt
Labor:	Rob Portman
HHS:	Susan Bender
NSF:	Luther Williams

May 21, 1993

Federal Support for Manufacturing Research

Summary of Initiative

Federal funding for research and development designed to assist U.S. manufacturers will expand and a strategy is needed for (1) establishing research priorities; (2) determining which federal agency is best positioned to support the research; (3) determining the funding mechanisms best suited that federal support is converted to practical products; and (4) ensuring adequate input from businesses and other interested parties. Areas of greatest interest include advanced manufacturing technology, advanced materials and procession, high performance computing, and the "clean car" program.

Measure of Success

The President has proposed increasing funding for technology development and deployment programs that will assist U.S. manufacturers. Congressional appropriations required.

For other aspects of the program, agency action is needed, with White House leadership.

Strategic Plan

OSTP, in partnership with Commerce and OMB, is developing a strategic plan to focus and set priorities for federal manufacturing R&D.

o In early June, OSTP and Commerce will meet with Federal agencies and solicit help from appropriate FCCSET committees to develop the strategy. Industry input will be solicited. By mid to late June, main elements of the strategy should be developed.

o OSTP and OMB will visit agencies in mid or late June to encourage bottom-up planning of programs and funding to fit with the strategy, and to match the planning cycle for the FY 95 budget.

o An Administration White Paper on a manufacturing R&D strategy will appear in late July or early August, to give agencies further guidance and to acquaint industry and the public with Administration policy.

o From late July to October, in accord with previous FCCSET management of manufacturing R&D crosscuts, agencies submit draft FY 95 Advanced Manufacturing Technology proposals to the FCCSET Working Group, receive responses, resubmit proposals; the Working Group then submits analysis and recommendations to OMB.

Administration policy on funding mechanisms is already in place; manufacturing R&D programs to assist industry require substantial cost-sharing (at least one-half in most cases) as a market test and assurance of serious industry interest in commercializing products. Mechanisms for private sector input in developing the strategy are not yet mature, but industry ideas on the overall strategy will be solicited.

Determining which federal agency is best positioned to support research is an ongoing process. Some disagreement between the Departments of Commerce and Energy over Energy's role in partnering with industry to develop commercial technologies is not yet resolved.

Bills in the Senate and House on the missions and responsibilities of the Departments of Commerce and Energy are moving forward. The House bill on Commerce, H.R. 820 is on the floor; hearings are in progress on the House Energy bill (H.R. 1432). The Senate Energy bill (S. 473) is in markup, and the Senate Commerce bill (S. 4) will soon be. All committees have solicited the Administration position. OMB stated that the Administration approved H.R. 820 as reported, with minor amendments, and cleared an Energy Department report on S. 473. However, some disagreement remains and the Administration position may be re-opened.

Level of Presidential/Vice Presidential Involvement

Development of the strategy should not require time of the President or Vice-President. They may wish to make an announcement or appearance when the White Paper is published.

Agency Lead and Coordination

P is leading and coordinatng the effort, with OMB and Commerce. NEC is expected to participate actively.

Weekly Update/Forccast

We expect to achieve resolution of an agreed upon Administration position on the Energy and Commerce bills by the end of May.

No other decision points are expected soon on other issues related to advanced manufacturing technology.

Key Contacts

White House Policy:
- o OSTP: Kitty Gillman
- o NEC: Dorothy Robyn
  Tom Kalil
- o OMB: John Pfeiffer

Agency:
- o Commerce: Jonathan Sallet
  Greg Tassey
- o Energy: Pete Didisheim

May 21, 1993

Information Infrastructure Initiative

Summary

During the campaign, the Administration pledged to invest in the infrastructure needed for the 21st Century. A key component of this infrastructure will be a network of "information superhighways"--telecommunications links providing two-way video and rapid access to information to almost every home, business, and school in the country. The Technology Initiative released February 22 outlined a $5 billion, four-year effort to fund development and demonstration of the technologies needed to build and effectively use this "National Information Infrastructure (NII)." In addition, the White House announced formation of a high-level Information Infrastructure Task Force (IITF) made up of key Federal agencies and OEP offices to forge a coherent, pro-active telecommunciations policy that will encourage the private sector to make the huge investments needed to build the NII.

Measure of Success

Legislation. Success requires passage of several key bills. S. 4 and H.R. 1757 would authorize many of the Administration's new programs designed to develop the technology and applications needed for the NII. The Department of Commerce (NTIA) is preparing legislation to authorize a new Administration program to link schools and other non-profit institutions to computer networks. Legislation will be needed to reshape out-dated telecommunications policies that are holding back rapid deployment of new networking technologies. It will deal with issues such as: (1) regulation of the cable television industry, (2) increasing competition in the local telephone market, and (3) changing restrictions on the regional Bell companies. The IITF will either formulate such legislation or work with Congress on legislation being considered there.

Presidential/Vice Presidential Action. If successful, the Administration (rather than Congress or the FCC) will be seen as being responsible for leading efforts to build the NII. For many years, the Vice President has had a leadership role in this area and has been the point person of telecommunications and information policy for the Administration.

Agency action. The Department of Commerce will dramatically expand its role in defining telecommunications policy and in funding development of the NII. Budgets for research related to the NII will increase significantly.

Strategic Plan

Technology development and demonstration. The Administration will need to fight for the new funding (approximately $300 million) requested for technology programs related to NII. This fall, decisions will have to be made on the level of funding for FY95. The Administration has been working effectively with Congress on authorizing legislation of these programs.

Telecommunications policy. In Congress, a number of important telecommunications bill have been or soon will be introduced. By mid-summer, the Administration, through the IITF, needs to formulate a coherent strategy so that is can respond to this legislation. Possible time line: June Announcement of IITF members (once they are confirmed)

June Release of short Administration NII vision statement

June	Completion of legislation on technology programs
July	Completion of strategy
Oct	Completion of first major telecommunications policy bills
1994	Continued work on telecommunications and information policy legislation

Level of Presidential/Vice Presidential Involvement

Because of his past leadership on this issue, the Vice President will probably continue to devote a substantial amount of time (1-2 hours a week) to activities related to this issue. Activities include:

1) Convening high-level policy meetings
2) Meeting with CEOs and others to get input and garner support
3) Lobbying the Hill
4) Interviews, speeches, and visits to sites like Bell Labs to promote the Administration's vision for the NII

The President may wish to make a major speech to define the Administration's agenda in this area.

Agency Lead and Coordination

The Department of Commerce, particularly the National Telecommunications and Information Administration (NTIA) will play a lead role in developing legislation and formulating policy. The technology development programs will be coordinated through OSTP. The National Economic Council and OSTP together will coordinate the IITF.

OSTP: Mike Nelson
NEC: Tom Kalil

May 21, 1993

Review of National R&D Priorities

Summary of Initiative

The 1994 federal budget proposed for R&D is $76 billion. Declining defense needs, intense competitive pressures on key US industries, concerns about environmental quality, and the emergence of unexpected technical opportunities are creating an unprecedented and growing need to re-evaluate how overall R&D monies are spent. This need is made more urgent by increasing pressures on the federal budget. This initiative will develop a comprehensive, coherent methodology for setting and evaluating priorities across the federal R&D portfolio.

Measure of Success

The goal of this initiative is to establish an ongoing, permanent priority-setting and evaluation capacity to facilitate R&D budget decisions. This capacity will include mechanisms for interagency participation as well as participation by the private and public sectors.

Strategic Plan

OSTP is now developing a management plan, in collaboration with OMB, for a priority setting and evaluation process. Both internal and external comments will be sought before a plan is finalized. Interagency committees and working groups are then to be organized, and to be put in place by mid-July, to carry out the charge of the management plan.

Level of Presidential/Vice Presidential Involvement

The initiative is designed to address the Administration's interest in technology and to be used in the formulation of its budget strategy. The President and Vice President will be involved in presenting and defending future research and development budget whose priorities are based on the results of this initiative.

Agency Lead and Coordination

OSTP is leading this effort in close collaboration with OMB. Involvement by NEC also is anticipated. Extensive interagency collaboration will be required.

Weekly Update/Forecast

OSTP and OMB will be working to develop a useful structure for interagency review of R&D but no critical decision points or external events are anticipated in the next two weeks.

Key Contacts

White House Policy:

- o OSTP: Paula Stone, Henry Kelly
- o OMN: Katherine Peroff

May 21, 1993

Reorganization of National Labs

Summary of Initiative

The opportunity to use DOE, NASA, and DoD laboratories for civilian research is a key defense conversion opportunity. The administration is committed to a plan that is aimed at devoting 10 to 20 percent of laboratory budgets to cost-shared partnerships with industry. An immediate goal is to remove obstacles to forming these partnerships, and to take advantage of the desire on industry's part to collaborate with the labs in R&D projects. It is equally important, for the longer term future of the labs, to redefine their missions in ways that ensure that they can be put to effective use in promoting the competitiveness of US industries.

Measure of Success

Ten to twenty percent of the budgets of the major laboratories with relevant capabilities is used to sponsor collaborative R&D ventures with industry

Successful passage of legislation redefining the missions and responsibilities of the laboratories and the relationship between defense-laboratories and civilian agencies, particularly Commerce.

Strategic Plan

Legislation redefining the mission of the labs has been introduced in both the House and Senate. We are working with the relevant committees to reconcile the approaches and ensure that the legislation is consistent with the administration's goals.

The labs' potential contribution to U.S. competitiveness will be included in the initiative on manufacturing R&D.

Level of Presidential/Vice Presidential Involvement

Since the President has already spoken on the subject at Los Alamos National Laboratory, further involvement may not be needed.

Agency Lead and Coordination

NEC has the lead on partnerships between the labs and industry with the support of OSTP.

Weekly Update/Forecast

Action on S.4 and S.473 may be needed in the next two weeks.

Key Contacts

White House:

- o NEC: Tom Kalil
- o OSTP: Kitty Gillman

U.S. Department of Transportation

Office of the Secretary of Transportation

Chief of Staff

May 21, 1993

TO: Christine Varney
Deputy Assistant to the President
and Secretary to the Cabinet
The White House

Christine,

Enclosed are the Issue Management papers as requested.

Ann

Enclosure

MARITIME AND SHIPBUILDING INITIATIVES

Summary of Initiative

The NEC is evaluating related initiatives in the shipbuilding and carrier industries:

• *Shipbuilding.* An interagency working group is examining proposals to help the U.S. shipbuilding industry cope with the anticipated decline in orders from the U.S. Navy. (Since the early 1980s, U.S. shipyards have primarily built naval vessels. U.S. shipyards currently have 87 ships on order: 86 are for naval vessels, only 1 is for a commercial ship.)

• *Carriers.* An interagency working group is determining the military need for U.S.-flagged carriers. In the absence of government subsidies, U.S. carriers are expected to reflag.

Measure of Success

• *Shipbuilding.* The goal of the working group on the U.S. Shipbuilding Industry is to prepare the plan which must be presented to Congress by October 1, 1993 (pursuant to the FY93 National Defense Authorization Act) and to oversee the implementation of any policies that might be recommended in the plan. It is not yet clear whether those policies would require legislation.

• *Carriers.* Based on an NEC decision regarding the military need for U.S.-flagged ships, any carrier initiative would require legislation. Regulatory and administrative actions may also be required.

Strategic Plan

• *Shipbuilding*

May-July	Working group conducts fact-finding, evaluates proposals
Early August	Presentation of policy options to NEC Deputies
Early September	Presentation of draft report to NEC Deputies
October 1	Presentation of report to Congress
January	Introduction of any legislation resulting from initiative

- *Carriers*

May–July	NEC fact–finding
August	Department of Defense presents requirements as determined by bottom–up review
September	Recommendation to NEC Deputies

Level of Presidential or Vice–Presidential Involvement

None, pending review of options by NEC Deputies in September

Agency Lead and Coordination

The Shipbuilding Working Group is chaired by the NEC and includes the Office of the Vice President, the Department of State, the Department of the Treasury, the Department of Defense, the Department of Justice, the Department of Commerce, the Department of Labor, the Department of Transportation (including the Maritime Administration), the Council of Economic Advisors, the Office of Management and Budget, the USTR, the NSC, and the OSTP.

The Maritime Working Group is chaired by the Department of Transportation. In addition to the agencies listed above, it includes the Department of Agriculture and the Agency for International Development.

Weekly Update/Forecast

Legislation has been introduced in Congress which would provide Federal support for the U.S. flag foreign trade merchant fleet and provide incentives for shipbuiliding in U.S. shipyards. A House hearing is scheduled for the last week in May; the Administration has not been asked to testify.

Key Contacts

White House Policy: NEC
Michael Deich and John Goodman

White House Communications:
Rikki Seidman

White House Legislative:
Barbara Chow

Other Agencies:
See attached working group lists

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JCOS	COL. JOHN REPHLO
TREASURY	GERRY GERARDI
AGRICULTURE	GLENN WHITEMAN
STATE	DAN TARULLO
OMB	KEN SCHWARTZ
CEA	HOWARD LEATHERS
COMMERCE	BILL JOHNSON
JUSTICE	ROGER FONES
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JOHN GOODMAN
NATIONAL ECONOMIC COUNCIL

May 21, 1993

HIGH SPEED RAIL/MAGLEV ISSUE MANAGEMENT

Summary of Initiative

The High-Speed Rail Development Act of 1993 is a program of financial assistance to support the efforts of State and local governments and the private sector to develop high-speed rail in those intercity corridors where it can be a major contributor to the nation's transportation system. The $1.3 billion five year program will create public-private partnerships to upgrade existing rail infrastructure along selected corridors while investing in advanced technologies in pursuit of faster, safer rail service and maglev prototype development.

Measure of Success

The High-Speed Rail Initiative will be successful with the passage of authorization legislation and the appropriation of both a high speed rail program and a maglev prototype development program. The ultimate measure of success will be in the demonstrable improvements to rail service in corridors where partnerships are developed.

Strategic Plan

The strategy revolves around building a consensus coalition in the House and the Senate in finding the balance between corridor incremental improvement and maglev development as well as the funding mechanism. Passage of the High Speed Rail Initiative in 1993 is critical in order to deliver faster rail service in selected corridors during this Administration. With long project lead times, delay of one year would risk having no significant accomplishments by 1996. The anticipated legislative calendar is as follows:

May 27 :	House Sub-Committee Mark-up
Week of June 7:	House Committee Mark-up
Week of June 14:	Senate Committee Mark-up
Week of June 14:	House and Senate Appropriations Mark-ups
Week of June 28:	House floor action
Late July:	Senate floor action
August:	Conference on Authorization
August:	Conference on Appropriation
September:	Enactment

Level of Presidential/Vice Presidential Involvement

Assistance from the President or Vice President may be necessary to encourage conferees to resolve the bill in favor of the Administration's proposal or to push for timely consideration of the bill on the Senate floor.

Agency Lead and Coordination

Department of Transportation is the lead agency. The Assistant Secretary of the Army for Civil Works has a role as joint director of the maglev prototype development program.

Weekly Update/Forecast

No major actions expected in the next two weeks.

Key Contacts

Office of Secretary of Transportation:
- Policy - Katherine Archuleta 202-366-5459
- Communications - Richard Mintz 202-366-4531
- Legislative - Neil Dhillon 202-366-4573

Federal Railroad Administration
- Administrator-designate - Jolene Molitoris 202-366-0710
- Policy - Jim McQueen 202-366-9660

May 21, 1993

ADVANCED TRANSPORTATION TECHNOLOGIES AND DEFENSE CONVERSION

Summary of Initiative

Advanced transportation technologies and related infrastructure investments represent major economic opportunities for the defense industry while at the same time improving the safety and efficiency of our national transportation system. In an effort to avoid the mistakes of past defense conversion attempts, the Department of Transportation is launching an initiative to define and publicize the most pressing national transportation needs and then assist in coupling advanced transportation technologies to meet those needs.

Measure of Success

This initiative will result in public-private partnerships to develop the most promising technologies which can deliver real solutions to real problems. The goals to measure the success will include a reduction in traffic congestion and fatalities, improved air quality, reduced dependence on foreign oil, rehabilitation of infrastructure and job creation through the growth of new markets.

Strategic Plan

The main tenants of the plan are outreach, partnerships and investment. The Department is organizing a series of outreach efforts to the transportation user community to assess and review the problems and needs for which technological solutions can be applied. We are holding a series of conferences over the summer to bring together industry, academia, national labs, federal, state and local government officials and community organizations to discuss the problems and develop solutions. The results of these outreach efforts will develop the framework of needs to draw new technological opportunities. Those defense companies wishing to convert into the transportation sector will be able to use these results to develop their strategic plans to find their niche.

Since the Department of Transportation does not have the research and development resources to make direct investments, we are working with other federal agencies that make transportation research investments to ensure a synergistic approach which addresses the most pressing needs.

Level of Presidential/Vice Presidential Involvement

There is tremendous economic growth potential for markets in the United States and other countries for transportation systems and technologies. This potential is both for large-scale conversion such as construction of light rail vehicles and also for subcomponent level production for small businesses. The President and Vice President can promote these opportunities in their speeches and trip schedules. We will work closely with the White House to feed speech inputs and trip suggestions.

Agency Lead and Coordination

Department of Transportation will be lead agency in this initiative and will be working closely with Defense, Commerce, the National Economic Council, Office of Science and Technology Policy and other agencies for defense conversion efforts.

Weekly Update/Forecast

No major actions expected in the next two weeks.

Key Contacts

Office of Secretary of Transportation:
Policy - Katherine Archuleta 202-366-5459
- Judith Burrell 202-366-6524
- Dennis Murphy 202-366-5898
Communications - Richard Mintz 202-366-4531
Legislative - Neil Dhillon 202-366-4573

NATIONAL COMMISSION TO ENSURE
A STRONG COMPETITIVE AIRLINE INDUSTRY

Summary of Initiative

The Commission was created by Congress (P.L. 103-13, April 7, 1993) with the mandate to investigate the problems of the aviation industry, define their causes, and provide the President and Congress with recommendations on actions that industry and government can take to ensure the industry's economic health and competitiveness. Beginning on May 24, 1993, the Commission has 90 days to complete its work and issue a report.

Measure of Success

The success of the Commission will be determined by the quality of its recommendations and the extent to which those recommendations are implemented by statute or regulatory action.

Strategic Plan

Because the Commission is independent of the Department, DOT's role during the Commission's 90-day life is limited to providing administrative support, responding to requests for information, and participating in public hearings, as appropriate. Once the Commission's report is issued, the Department will be chiefly responsible for implementing Commission recommendations.

Level of Presidential/Vice Presidential Involvement

The President is scheduled to address the Commission at its initial meeting on the morning of May 24. The President or Vice President's personal involvement is not expected to be significant during the 90-day period when the Commission conducts its investigation. Limited personal involvement may be appropriate when the Commission delivers its final report.

Agency Lead and Coordination

DOT is providing the funding and administrative support for the Commission. Other agencies, primarily Commerce, State, Treasury, DOD, NASA, and USTR, are expected to be called upon for information, testimony and (possibly) limited staff support.

Update/Forecast

The Commission's initial public meetings will be held May 24-27 and June 2-6 in Washington. A schedule of activities beyond those dates as not yet been established.

Key Contacts

White House Policy Office:	??
White House Communications:	??
White House Legislative:	??
Department of Transportation:	Patrick V. Murphy, Acting Assistant Secretary for Policy & International Affairs

5/21/93

AVIATION TRUST FUND

Summary of Initiative

The Airport and Airway Trust Fund pays for 75% of the Federal Aviation Administration's (FAA) budget. Taxes for the Trust Fund are authorized through CY 1995. The primary source of trust fund revenues is a 10% tax on all domestic airline tickets. There are two efforts that may affect the trust fund this year. First, the House of Representatives is considering a multi-year reauthorization of FAA's programs that could require extending taxes beyond CY 1995 and so require addressing the issue of future tax levels.

Second, the National Commission to Promote a Strong and Competitive Airline Industry is very likely to take up the issue of aviation tax levels in the next three months during its deliberations. The airlines have been supporting a number of proposals to reduce their tax liability.

The level of the uncommitted balance in the trust fund has been an issue for some time. It was as high as $7.7 billion at the end of FY 1991, primarily because trust fund support of FAA's budget prior to 1991 was well below 75%. The balance is projected to decline to $4 billion by the end of FY 1993. With existing tax levels and spending levels in the President's budget, it is projected to remain at $4 billion through FY 1997.

Measure of Success

Aviation trust fund revenues need to be adequate to fund a reasonable share of FAA programs. Any reduction in the tax levels adds to the deficit, assuming no commensurate reduction in the FAA budget. A financially strong airline industry is essential to the economy and to international trade. A balance must be maintained between fair payment by the industry and a viable industry.

Strategic Plan

DOT has been discussing the possibility of proposing a simple one-year extension of AIP, that would otherwise expire at the end of this year, until the findings of the Commission have been completed and DOT's senior management is on board. (Other FAA programs are authorized through FY 1994 or FY 1995 and do not require immediate action.) This approach would not require any change in existing tax levels. DOT expects that the Commission will have specific recommendations on aviation taxes including those paid to the aviation trust fund.

The Commission is expected to complete its work in August.

Level of Presidential/Vice Presidential Involvement

The President/Vice President will be actively involved in reacting to the Commission's findings. They have also had discussions with the airline industry on proposals to reduce the tax levels imposed for the aviation trust fund.

Agency Lead and Coordination

The Department of Transportation is the lead agency to advise whether any changes to aviation trust fund tax levels should be considered and to develop a reauthorization strategy. We would work closely with Treasury and OMB in this effort.

Weekly Update/Forecast

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Key Contacts

George McDonald, Office of Budget and Programs, Office of the Secretary of the Department of Transportation
Dale McDaniel, Deputy Assistant Administrator for Policy, Planning and International Aviation, Federal Aviation Administration

ISSUE MANAGEMENT

Hazardous Materials Transportation Act

The Hazardous Materials Transportation Act (HMTA) was last reauthorized in 1990. It is up for another reauthorization this year. The 1990 law mandated substantial new initiatives including the hazardous materials (hazmat) registration program and an emergency preparedness grants program. Numerous studies and rulemakings were also required. The Department of Transportation has accomplished a substantial number of these studies and rulemakings.

The 1993 reauthorization review process has begun in DOT, and we are in the process of developing our draft to forward to OMB for review. Congress is also beginning its review process with oversight hearings scheduled for early June in the House Energy & Commerce Committee. Action on a final bill is expected this Congress.

NATIONAL HIGHWAY SYSTEM

Summary of Initiative

The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) required the establishment of a National Highway System (NHS) of 155,000 miles (plus or minus 15 percent) which is to consist primarily of existing Interstate routes, a large percentage of the urban and rural principal arterials, the defense strategic highway network, strategic highway connectors and high priority corridors identified by Congress. The purpose of the NHS is to provide an interconnected system of principal arterial routes which will serve major population centers, international border crossings, ports, airports, public transportation facilities, and other intermodal transportation facilities; meet national defense requirements; and serve interstate and inter-regional travel. To a considerable extent, this will be accomplished by reclassification of existing roads to the NHS.

Measure of Success

- Agency Action: Report to Congress by September 30, 1993 on the results of the functional classification. The submission of a proposed NHS by the Administration to Congress by December 18, 1993.

- Presidential/Vice Presidential Action: Depends upon level of involvement deemed necessary. Presidential participation in announcements and submissions to Congress would signal support for infrastructure investment.

- Legislation: Enactment of a law approving a designated NHS by September 30, 1995.

Strategic Plan

December 31, 1992: States in cooperation with metropolitan planning organizations complete functional reclassification (approved by FHWA for approximately half of the states; expect to complete approval action for most states by the end of May). Roads are classified by use and type as arterials (principal and minor), collectors (major and minor) and local roads Functional reclassification is necessary prior to designating the NHS, as only principal arterials can be on the NHS.

April 30, 1993: States submit proposed NHS routes to FHWA (there has been some slippage in this deadline as States have requested additional time). As of May 18, 1993, 32 States have submitted proposed NHS routes to FHWA.

July - December 1993: FHWA staff to meet with representatives of the national organizations such as the National Association of Regional Councils, the National Association of Counties, the National League of Cities, and the United States Conference of Mayors to assure full consultation with representatives of local officials.

September 30, 1993: FHWA submits report to Congress on results of functional classification.

December 18, 1993: Administration submits proposed NHS to Congress.

By September 30, 1995: Enactment of a law approving a designated NHS.

Level of Presidential/Vice Presidential Involvement

- President may endorse and submit proposed NHS and implementing legislation to Congress in December 1993.
- Possible mention of the NHS in the January 1994 State of the Union Address.
- NHS link to other major policy initiatives such as NAFTA, economic stimulus proposals and the Emerging Community Development Initiative.
- Potential disagreements over the designation of the NHS may require political resolution.

Agency Lead and Coordination

The Department of Transportation has the lead responsibility for developing the initiative. The Department will coordinate with the Department of Defense and with federal lands agencies, as appropriate, such as the Departments of Agriculture and Interior.

Weekly Update/Forecast

No major actions are expected within the next two weeks.

Key Contacts

White House Policy: To be determined.
White House Communications: To be determined.
White House Legislative: To be determined.
Department of Transportation: Secretary Federico Peña,
FHWA Deputy Administrator Jane Garvey

White House Issue Management Initiative

Amendments to the Commercial Space Launch Act

SUMMARY

The Commercial Space Launch Act of 1984, as amended (CSLA)(49 U.S.C. App. 2601 et seq.) authorizes the Department to license and otherwise regulate commercial space launches and the commercial operation of launch sites. The Department reviews annually the need to initiate legislative proposals to amend the CSLA, to account for innovations in space technology and applications that were not foreseeable in 1984 (e.g., reentry vehicles); to improve the efficiency of the regulatory and licensing process; or to modify the financial responsibility and allocation of risk regime set forth in the 1988 amendments enacted, in part, to enhance the international competitiveness of the U.S. commercial launch industry.

No formal decision has been made by the Department to seek legislative changes this year. The House Committee on Science, Space and Technology is considering amendments to the CSLA that would authorize the Department to license reentry vehicles.

Level of Presidential/Vice Presidential Involvement

The priority on this initiative is such that White House involvement is not anticipated at this time.

ISSUE MANAGEMENT

Summary of Initiative

Whether to lift the bar imposed by President Reagan on reemploying air traffic controllers fired for participating in a strike against the United States Government in 1981.

This initiative should be pursued as a priority because legislation to lift the bar has been introduced in the House and Senate and because lifting the bar has been the subject of discussions between the President and organized labor.

Measure of Success

1. Presidential decision on whether to lift the bar.

2. If the bar is lifted, Presidential direction concerning personnel procedures allowing former controllers to compete for employment.

3. If the bar is lifted, Presidential announcement that due to FAA's limited need for additional controllers, only a few positions will be filled in the coming years.

Strategic Plan

1. Options memo with DOT/DOL/OPM recommendations forwarded to the White House on May 13, 1993.

2. Presidential decision announced. Draft statement attached to the options memo.

3. If the bar is lifted, Presidential memorandum issued to OPM. Draft memorandum attached to the options memo.

4. If the decision directs establishment of a separate selection process, press release issued outlining the process and establishing an 800 number for inquiries.

Level of Presidential/Vice Presidential Involvement

Time demands to reach a decision should be minimal, requiring review of the options memo and possible discussion with the Secretaries of Transportation and Labor, and Director of OPM.

Press interest can be expected to be high, requiring time to explain the decision, its implementation, and the limited number of positions FAA intends to fill.

Reactions can be expected to be mixed: the US Pilots Association (6,000 members) has urged not hiring the former controllers; over 100 members on the Hill have recommended allowing the former controllers to reapply for their positions.

Presidential assistance may be necessary to resist anticipated congressional pressure for the hiring of a greater number of controllers than FAA needs.

Agency Lead and Coordination

The Department of Transportation has the lead responsibility for this initiative, in coordination with the Department of Labor and the Office of Personnel Management.

Weekly Update/Forecast

During the week of May 10, the New York Times, the Washington Times, CNN, and other members of the media announced the likelihood that the bar would be lifted in the immediate future. Follow-up inquiries are likely.

Key contacts

Sylvia Mathews (NEC)
Joan Baggett (Political Affairs)
Rosalind A. Knapp (DOT Deputy General Counsel)
Tom Williamson (DOL Solicitor)
Jim Green (OPM Acting General Counsel)

May 21, 1993

MARITIME INDUSTRY REVITALIZATION

Summary of Initiative

The Department of Transportation (DOT) recommends that the Administration adopt a multi-faceted program to revitalize the U.S. maritime industry and to help the industry become competitive internationally. The program would provide Federal support for building ships in the United States, including financing guarantees; vessel operating assistance; removal of anti-competitive foreign practices; elimination of U.S.-flag vessel operating restrictions that prevent international competitiveness; retention of existing cargo preference laws; and, limited tax relief. If no action is taken, U.S.-flag ships are expected to be transferred to foreign countries and U.S. shipbuilding capacity is expected to be drastically reduced, resulting in the loss of thousands of seafaring and shipbuilding jobs in the United States. (See Attachment)

Measure of Success

This initiative requires enacted legislation; however, support for legislation by the President and the National Economic Council (NEC) is necessary before the Administration can transmit a bill to Congress. Regulatory and administrative actions will also be needed to implement provisions of the program.

Strategic Plan

DOT presentation to the NEC of its proposal on maritime revitalization. (April, 1993)

Department of Defense (DOD) presentation to the NEC of its commercial sealift requirements, as determined by the DOD "bottom-up" review. (Early August, 1993)

Decision by the NEC whether to proceed with the DOT proposal. (August, 1993)

Contingent on Administration approval of the DOT proposal, introduction of authorizing legislation, as well as inclusion in the President's FY 1995 budget, and publication of required rulemakings. (September, 1993)

Congressional hearings and period for public comments on DOT proposed rulemakings. (September-October, 1993)

Congressional mark-up of legislation and DOT publication of final rules. (November, 1993)

Floor action, including Conference Committee. (January-February, 1994)

Presidential approval of legislation. (March 1994)

Level of Presidential/Vice Presidential Involvement

Support will be needed from the President to help ensure that Congress enacts implementing legislation.

Agency Lead and Coordination

DOT will prepare legislation, pending approval of the program.

Weekly Update/Forecast

Legislation has been introduced in Congress which would provide Federal support for the U.S.-flag foreign trade merchant fleet and provide incentives for shipbuilding in U.S. shipyards. A House hearing is scheduled for the last week in May; the Administration has not been asked to testify.

All sectors of the U.S. maritime industry are expected to engage in intense lobbying of Administration officials and members of Congress to obtain support for a comprehensive maritime industry revitalization program.

Pending the outcome of the DOD "bottom-up" analysis, no Executive Branch actions on the DOT proposal are expected until August, 1993.

Key Contacts

Office of the Secretary of Transportation (OST):
Policy - Katherine Archuleta (202) 366-1111
Communications - Richard Mintz (202) 366-1111

Maritime Administration:
Administrator Designate - Admiral Al Herberger (202) 366-8790
Policy - Richard Bowman (202) 366-1718

Office of International Transportation and Trade, OST
Arnie Levine (202) 366-4368

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D R A F T

April 15, 1993

Discussion Paper on Maritime Revitalization

I. Liner Program

Current ODS Contracts (Assuming Some Carriers Stay with the Existing Program) (Contracts terminate by the end of 1997.)

- o Existing liner operating-differential subsidy (ODS) contracts will be honored through their remaining terms; however, no new liner ODS contracts will be signed.
  - The economic lives of liner ships subsidized under the current program will not be extended.
  - ODS operators would be permitted to acquire ships built abroad, provided they are less than five years of age, remain eligible for Federal assistance, and for each two ships they acquire foreign during the first five years, they must acquire one new ship from a U.S. shipyard, as set forth in the shipyard section. However, an operator is released from its build U.S. requirement if, as determined by the Secretary of Transportation, the differential to the operator is greater than the amount paid by the Government.
  - Ships acquired under the build-foreign provision would only be eligible to receive Federal assistance under the new program, not ODS.
  - ODS operators would remain bound by all existing statutory restrictions (e.g., trade routes, and Sections 605(c), 804 and 805 of the Merchant Marine Act, 1936).

New Federal Assistance Program

- o A Government support program would be established under Title VI of the Merchant Marine Act, 1936, to replace the current liner ODS program.
  - Eligible Vessels: Militarily and commercially useful liner ships, as determined by the Secretary of Transportation, that are less than 15 years of age.

    Operators that receive Federal assistance under the new program would be permitted to acquire ships built abroad, provided they are less than five years of age, remain eligible for Federal assistance, and for each two ships they acquire foreign during the first five years, they must acquire one new ship from a U.S. shipyard, as set forth in the shipyard section. However, an operator is released from its build U.S. requirement if, as determined by the Secretary of Transportation, the differential to the operator is greater than the amount paid by the Government.

Ships acquired abroad would be eligible on the same basis as replacement ships under current contracts.

- Contract Length: Contracts would be 10 years in length.

  In return for annual payments, the operator would be required to make vessels that receive assistance available, or provide space on a guaranteed or priority basis, to the Secretary of Defense during time of war or national emergency, and during that time period the operator may charter in foreign-flag tonnage to maintain its commercial presence.

  During the seventh year of the contracts, the Government will review and recommend to Congress any revision of the program.

- Support Payment: An annual payment of $2.5 million during the first four years of the program, down to $2.0 million during the last six years, would be paid for each liner vessel enrolled in the new program.

  The payment would be reduced on a *pro rata* basis for the carriage of bulk-type civilian preference cargoes.

- Total Cost of the Program: The total cost of the program, including existing ODS obligations, is estimated at $2.1 billion over 10 years.

- Number of Vessels: Approximately 90 ships would be eligible to receive Federal assistance.

- Eligibility Priority: Vessels owned by U.S. citizens, as defined in Section 2 of the Shipping Act, 1916, would receive first priority; vessels otherwise eligible for documentation under U.S. law would be able to utilize the remaining available vessel authorizations.

- Operator Flexibility:

  - Vessels that receive Federal assistance under the new program must be operated exclusively in the U.S. foreign trade.

    Current trade route and service restrictions of the ODS program would not be imposed on vessels enrolled in the new program.

    Vessels operating in the mixed domestic and foreign trade, and other existing domestic operations (Section 805) would be grandfathered, as provided in the liner industry compromise.

  - Operators that currently have foreign-flag operations and affiliations would have a one-year "window" during which those arrangements could be grandfathered.

    Ownership, charter or operation of foreign-flag feeder ships would be allowed for vessels enrolled in the new Federal assistance program, provided that the TEU capacity of the feeder ships does not exceed 25 percent of the capacity of the line haul vessels.

    Unions would be given standing to intervene in foreign-flag feeder request (Section 804) proceedings.

  - Vessels acquired under the build-foreign provisions would be immediately eligible to carry civilian preference cargoes.

- Administration:

  - The Government will reserve a vessel authorization for six months for an operator with an existing ship that is eligible for the program, or for an operator that has a contract in place with a shipyard within six months for the delivery of a new vessel or acquires an existing vessel within six months.

    If the vessel authorization is not utilized within six months, it would be available for other operators.

    If the vessel authorization is not utilized by the operator within eighteen months of contract for a new vessel, or at the time of purchase of an existing vessel, the vessel authorization would be available for other operators unless the vessel is under construction in a U.S. shipyard.

An operator would not be permitted to sell unused vessel authorizations to another liner operator.

Title XI

- o The Department of Transportation (DOT) will continue to seek funding for the Title XI program. The recommended funding levels will be:

  - $75 million in FY 1994 and FY 1995, and
  - $50 million in FY 1996.

  Carryover of unused authority will be allowed in each year until fully obligated. This level of funding, $200 million, will provide for more than $4.5 billion in new ship construction in U.S. yards.

- o Under existing law, the Secretary of Transportation may guarantee up to 87½ percent of the principal portion of the cost of the ship; the Secretary retains the discretion to guarantee a lesser amount. MARAD regulations for Title XI limit debt to 75 percent.

- o The Secretary of Transportation will determine which vessels will be financed under Title XI.

Tax Provisions

- o U.S.-flag operators (liners, bulk carriers and domestic carriers) have proposed a number of changes to the tax provisions, including changes to the Capital Construction Fund (CCF), elimination of the Alternative Minimum Tax and institution of a tax on the accumulated income in the CCF, as well as reinstatement of the investment tax credit, three-year accelerated depreciation for ships, and reinstatement of tax deferrals on foreign source shipping income under Subpart F of the Internal Revenue Code.

- o Consideration of these proposals should be made in the context of the maritime revitalization discussions.

Other Issues

- o The U.S. Coast Guard will continue to take the actions necessary to bring U.S. ship design and construction standards in line with international standards.

- o U.S. ship owners will still be required to obtain Government approval to reflag or sell U.S.-flag ships to non-U.S. citizens, as provided for under Section 9 of the Shipping Act, 1916, but the standards for approval will be clarified.

- o The Administration will continue negotiations to ensure the removal of foreign discriminatory practices and barriers by our trading partners.

  As a last resort, the Administration will pursue bilateral trade agreements to ensure the participation of U.S.-flag vessels for the carriage of certain products (e.g., Japanese automobiles).

- o The Administration will examine the health care cost of the maritime industry with a goal of proposing changes to reduce the high cost of protection and indemnity insurance and other health care costs, while maintaining a high level of health care.

II. **Bulk Program**

Current ODS Contracts (Assuming Some Carriers Stay with the Existing Program) (Most contracts terminate by the end of 1996; all by the end of 2001.)

- o Existing bulk operating-differential subsidy (ODS) contracts will be honored through their remaining terms; however, no new bulk ODS contracts will be signed.

  - Operators would be allowed to replace existing subsidized vessels with new ships built abroad, provided that for each of two ships built foreign during the first five years, they acquire one new ship from a U.S. shipyard as set forth in the shipyard section. However, an operator is released from its build U.S. requirement if, as determined by the Secretary of Transportation, the differential to the operator is greater than the amount paid by the Government.

  - Statutory restrictions on operator flexibility would remain in place for vessels remaining in the ODS program.

<u>New Federal Assistance Program</u>

- A Government support program would be established under Title VI of the Merchant Marine Act, 1936, to replace the current bulk ODS program.

  - <u>Eligible Vessels</u>: New militarily and commercially useful bulk ships, as determined by the Secretary of Transportation.

    Operators would be allowed to replace existing subsidized vessels with new ships built abroad, provided that for each of two ships built foreign during the first five years, they acquire one new ship from a U.S. shipyard as set forth in the shipyard section. However, an operator is released from its build U.S. requirement if, as determined by the Secretary of Transportation, the differential to the operator is greater than the amount paid by the Government.

    Ships acquired abroad would be eligible under the new Federal assistance program on the same basis as replacement ships under current contracts.

  - <u>Contract Length</u>: Contracts would be 10 years in length.

    In return for annual payments, the operator would be required to make vessels that receive Federal assistance available to the Secretary of Defense during time of war or national emergency, and during that time period the operator may charter in foreign-flag tonnage to maintain its commercial presence.

    During the seventh year of the contracts, the Government will review and recommend to Congress any revision of the program.

  - <u>Support Payment</u>: An annual payment of $2.5 million during the first four years of the program, down to $2.0 million during the last six years, would be paid for each bulk vessel enrolled in the new program.

    No assistance would be provided for the carriage of bulk preference cargoes (as is now the case).

    The total cost of the program, including existing ODS obligations, is an estimated $400 million over 10 years.

- Number of Vessels: Any participating operator would be allowed full substitution privileges for its vessels in the new program (i.e., vessel sharing), subject to an overall program cap of 18 ship-years of service.

- Vessel Priority: Vessels owned by U.S. citizens, as defined in Section 2 of the Shipping Act, 1916, would receive first priority; vessels otherwise eligible for documentation under U.S. law would be able to utilize the remaining available vessel authorizations.

- Operator Flexibility: Vessels that receive Federal assistance under the new program must be operated exclusively in the U.S. foreign trade.

  Operators that currently have foreign-flag operations and affiliations would have a one-year window during which those arrangements could be grandfathered.

  Vessels acquired under the build-foreign provisions would be eligible immediately to carry civilian preference cargoes.

- Administration:

  - The Government will reserve a vessel authorization for an operator, provided the operator has a contract in place with a shipyard within six months for the delivery of a new vessel or purchases a new ship within six months.

    If the vessel authorization is not utilized within six months, the vessel authorization would be available for other operators.

    If the vessel authorization is not utilized by the operator within eighteen months contract for a vessel, the vessel authorization would be available for other operators unless the vessel is under construction in a U.S. shipyard.

    An operator would not be permitted to sell unused vessel authorizations to another bulk operator.

Cargo Preference Program

o The Administration will support a Presidential declaration on the intent of the Executive Branch to comply fully with the letter and spirit of U.S. cargo preference laws, and that the U.S.-flag percentage requirements are minimum, not maximum, requirements.

o DOT and the Department of Justice will enter into a Memorandum of Understanding to process expeditiously pending and future inter-departmental disputes on the scope of cargo preference laws (e.g., whether cargo preference laws extend to specific projects).

o The Administration will initiate an inter-departmental review on the feasibility of multi-year funding of cargo preference programs, greater utilization of consecutive and long-term charters (as practiced in the commercial sector), and other efficiencies for carriage of preference cargoes. The task force will report its findings and recommendations to the White House within nine months.

o The Administration will support legislation introduced previously by Rep. Robert Torricelli (D-NJ) which would amend current cargo preference laws to require nations that receive cash transfer foreign aid from the U.S. Government to purchase goods in the United States and to require the shipment of those goods to be subject to cargo preference.

o The Secretary of Transportation will revise the methodology used to determine fair and reasonable rates for the carriage of civilian preference cargoes.

<u>Title XI</u>

o The Department of Transportation will continue to seek funding for the Title XI program, as discussed above for the liner program.

<u>Tax Provisions</u>

o Proposed tax changes are as discussed above in the liner program.

<u>Tanker Issues</u>

o The tanker industry proposes that the Administration eliminate or reduce the BTU tax for petroleum products carried on new double-hull tankers in the coastwise trade, and reinstate regulatory restrictions on exports of refined petroleum products.

o Consideration of these proposals should be made in the context of the maritime revitalization discussions.

III. Domestic Trade

- o The Administration will reaffirm the Jones Act.
- o The Administration will support legislation which closes "loopholes" to the Jones Act, including bringing "cruises to nowhere" under the Act.

IV. Shipbuilding Program

- o The Administration will support legislation which provides redress for U.S. shipyards against foreign shipbuilding subsidies and which does not impose undue burdens on U.S. companies and commerce.
- o The Administration will resume negotiations with shipbuilding nations to force the removal of shipyard assistance by foreign nations.
- o The Department of Transportation will continue to seek funding for the Title XI program, with special emphasis on environmentally safe, double-hull tankers for the U.S. domestic and international trades. Proposed funding levels and program administration are as discussed above.
- o Reflagging work on newly documented, foreign-built U.S.-flag ships will have to be performed in U.S. shipyards.
- o Title XI would be amended to allow the Secretary of Transportation to provide guarantees for shipyard equipment or facilities on which the Secretary can obtain an appropriate collateral position.
- o The Administration will reaffirm support of the Jones Act.
- o The Administration will support funding for R&D projects by the Advanced Research Projects Agency (ARPA) which would establish and implement viable opportunities for the conversion of the defense-oriented shipbuilding industry to market-driven commercial production activities.
- o Operators that receive Federal assistance will be permitted to build foreign, provided that during the first five years for each two ships acquired foreign, one new ship is built in a U.S. shipyard, as set forth in the liner and bulk sections.
- o The Administration will support U.S. shipyard efforts to transition from military to commercial operations by using ARPA and defense conversion funds for payment to U.S. yards building ships under the new Federal assistance program to

offset the differential between U.S. and foreign shipbuilding costs (50 percent in FY 1994; 40 percent in FY 1995; 30 percent in FY 1996; 20 percent in FY 1997; and, 10 percent in FY 1998), provided the ships built are standard international ship designs, and joint efforts are employed with foreign yards to increase productivity in U.S. shipyards.

V. Shipper Issues

- U.S. shippers have proposed a number of changes to the Shipping Act of 1984, including: (1) limits on the size of conferences and on the anti-trust immunity they currently enjoy; (2) confidential service contracts between shippers and individual carriers; (3) modification or elimination of current tariff filing requirements; and (4) extension of carriers' rights to take independent action on rates to service contracts.
- Consideration of these proposals should be made in the context of the maritime revitalization discussions.