BRIEFING BOOK

FOR

THE TRIP OF THE PRESIDENT

TO

DETROIT, MICHIGAN

AND

BOSTON, MASSACHUSETTS

March 13 - 14, 1994

Staff Copy

Monday, March 14, 1994

Detroit, Michigan

SCHEDULE OF THE PRESIDENT

FOR

MONDAY, MARCH 14, 1994

FINAL

TRIP SCHEDULER:	**LEE SATTERFIELD**	
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PRINCIPAL EVENTS:

* **Working Breakfast with G-7 Ministers** - Detroit, MI
* **Speech to G-7 Jobs Conference** - Detroit, MI
* **Visit to Detroit Diesel** - Detroit, MI
* **Remarks to Citizens of Boston** - Boston, MA

WEATHER:

Detroit, MI
Variably cloudy with a 40 percent chance of snow showers. Wind northwest to west at 5 to 10 knots. Low 26 to 31. High 42 to 47.

Boston, MA
Becoming mostly cloudy with a chance of snow showers. Wind east to south at 5 to 10 knots. Low 17 to 22. High 36 to 41.

Nashua, NH
Becoming mostly cloudy with a chance of snow shower. Wind east to south at 5 to 10 knots. Low 17 to 22. High 36 to 41.

as of 03/12/94 11:50pm

SCHEDULE OF THE PRESIDENT
FOR
MONDAY, MARCH 14, 1994
FINAL

tba	**JOG**
8:50 am	**THE PRESIDENT** and Vice President Gore depart Omni Shoreham via motorcade en route Westin Hotel [drive time: 5 minutes] NOTE: Staff should use sky walk to Westin Hotel.
8:55 am	**THE PRESIDENT** and Vice President Gore arrive Westin Hotel
9:00 am- 9:45 am	**WORKING BREAKFAST** with G-7 Ministers WESTIN HOTEL Cabot Ballroom, Fourth Floor Talking Points: Bill Wyman Staff Contact: David Lane **POOL SPRAY** during meeting [SEE SITE DIAGRAM TAB D] – Informal meet and greet with G-7 Ministers. – **The President**, Vice President Gore, U.S. Cabinet Secretaries and Foreign Ministers are seated. – **The President** makes brief remarks. – Official photo with Ministers. **WHITE HOUSE PHOTO ONLY**
9:45 am-	**THE PRESIDENT** and Vice President Gore depart Cabot Ballroom and proceeds to HOLD
9:45 am- 9:50 am	**PHOTO** with local police officers and Job Corps Students Students: Tracy Howard and Benjamin Boze HALLWAY
9:50 am- 10:05 am	**HOLD / SPEECH PREP** WESTIN HOTEL Dressing Room, Fourth Floor Staff Contact: Michael Waldman

10:05 am	**THE PRESIDENT** and Vice President Gore depart The Westin Hotel via motorcade en route Fox Theatre [drive time: 10 minutes]
10:15 am	**THE PRESIDENT** and Vice President Gore arrive Fox Theatre

Greeters: Marion Ilitch, Owner Fox Theatre, Little Caesar Enterprises
Mike Ilitch, Owner Fox Theatre, Little Caesar Enterprises

10:20 am-
11:15 am

SPEECH TO THE G-7 JOBS CONFERENCE
FOX THEATRE
2211 Woodward Ave.
Detroit, MI 48201
Remarks: David Kusnet
Staff Contact: David Lane
OPEN PRESS
[SEE SITE DIAGRAM TAB F]

- Offstage announcement of **the President** and Vice President Gore.
- Upon entrance, the Detroit Symphony Orchestra will play Ruffles and Flourishes and Hail to the Chief.
- National Anthem- Camellia Johnson, Soloist
- Vice President Gore makes remarks and introduces **the President**.
- **The President** makes remarks, exit stage left, works ropeline and departs.

11:15 am-
11:45 am

RECEPTION
FOX THEATRE
Atrium
Staff Contact: Linda Moore
[SEE SITE DIAGRAM TAB G]

11:45 am

THE PRESIDENT departs Fox Theatre via motorcade en route Detroit Diesel
[drive time: 20 minutes]

12:05 pm

THE PRESIDENT arrives Detroit Diesel
[SEE SITE DIAGRAM TAB H]

Greeters: Roger Penske, CEO Detroit Diesel
Ludvik Koci, President Detroit Diesel
Bob King, VP UAW Region 1-A

12:15 pm-
1:15 pm

VISIT DETROIT DIESEL
13400 Outer Dr. West
Detroit, MI 48239
Talking Points: Michael Waldman
Staff Contact: Michael Waldman
POOL PRESS
[SEE SITE DIAGRAM TAB H]

- **Tour** Engine Assembly Line.

  Participants: **The President**
  Roger Penske, Detroit Diesel
  Ludvik Koci, Detroit Diesel
  Owen Bieber, UAW
  Bob King, UAW

- **Proceed** to Shipping Area.

- **The President** is joined by Senator Riegle and Rep. Conyers.

- Offstage announcement of **The President**, Senator Riegle, Rep. Conyers, Roger Penske, Ludvik Koci, and Owen Bieber.

- Rep. Conyers makes brief remarks and introduces Senator Riegle.

- Senator Riegle makes brief remarks and introduces Ludvik Koci.

- Ludvik Koci makes brief remarks and introduces Owen Bieber.

- Owen Bieber makes brief remarks and introduces Roger Penske.

- Roger Penske makes brief remarks and introduces **The President.**

- **The President** makes remarks, exits stage, works ropeline and departs.

	NOTE: PHOTO with Detroit Diesel Executive Board on departure.
1:30 pm	**THE PRESIDENT** departs Detroit Diesel via motorcade en route Selfridge Field, Air National Guard Ramp, Detroit, MI [drive time: 40 minutes]
2:10 pm	**THE PRESIDENT** arrives Selfridge Field, Air National Guard Ramp, Detroit, MI
2:15 pm- 2:20 pm	**PHOTO** with Volunteer Drivers TARMAC
2:30 pm	**THE PRESIDENT** departs Selfridge Field, Air National Guard Ramp, Detroit, MI via Air Force One en route Logan International Airport, Signature Aviation, Boston, MA [flight time: 1 hr. 50 min]
4:20 pm	**THE PRESIDENT** arrives Logan International Airport, Signature Aviation, Boston, MA [SEE SITE DIAGRAM TAB I]
	Greeters: Governor William Weld Mayor Thomas Menino Sen. Ted Kennedy Sen. John Kerry Rep. Joe Moakley
4:40 pm	**THE PRESIDENT** departs Logan International Airport, Signature Aviation via motorcade en route Water Shuttle Pier [drive time: 2 minutes] [SEE SITE DIAGRAM TAB J]
4:42 pm	**THE PRESIDENT** boards Water Shuttle [SEE SITE DIAGRAM TAB K]
4:45 pm	**THE PRESIDENT** proceeds via boat en route Rowes Wharf [time: 10 minutes]
4:55 pm	**THE PRESIDENT** arrives Rowes Wharf [SEE SITE DIAGRAM TAB L]

	Greeters:	Rep. Joe Kennedy Rep. Ed Markey Rep. Martin Meehan Rep. Gerry Studds Rep. John Olver Lt. Gov. Argeo Paul Cellucci Attorney General Scott Harshbarger State Auditor Joe DeNucci State Treasurer Joseph Malone State Senate President William Bulger House Speaker Charles Flahtery State Party Chair Joan Menard Fred Segal Alan Leventhal

5:00 pm-
5:45 pm

REMARKS to citizens of Boston
ROWES WHARF
Remarks: Carter Wilkie
Staff Contact: Reta Lewis
OPEN PRESS
[SEE SITE DIAGRAM TAB L]

- Mayor Menino makes brief welcoming remarks and introduces Gov. Weld.
- Gov. Weld makes brief remarks and introduces Rep. Moakley.
- Rep. Moakley makes brief remarks and introduces Sen. Kerry.
- Sen. Kerry makes brief remarks and introduces Sen. Kennedy.
- Sen. Kennedy makes brief remarks and introduces **the President**.
- **The President** makes remarks, exits stage, works ropeline and departs.

5:45 pm — **THE PRESIDENT** departs Rowes Wharf via motorcade en route Boston Park Plaza
[drive time: 15 minutes]

6:00 pm — **THE PRESIDENT** arrives Boston Park Plaza
[SEE SITE DIAGRAM TAB M]

Greeters:	Roger Saunders, Owner Tedd Saunders, Owner Norma Stilson, Owner Avram Stilson, Owner

6:15 pm- 6:45 pm	**HEALTH CARE MEETING** BOSTON PARK PLAZA Garden Suite Staff Contact: Simone Rueschemeyer **CLOSED PRESS**
7:00 pm- 7:30 pm	**PRIVATE TIME/ DINNER** BOSTON PARK PLAZA Garden Suite
7:30 pm- 7:35 pm	**PHOTO** with Local Police Officers HALLWAY
7:40 pm- 8:20 pm	**RECEPTION** BOSTON PARK PLAZA Berkeley Room Staff Contact: Reta Lewis **CLOSED PRESS** NOTE: Receiving line with photos.
8:25 pm- 9:25 pm	**DINNER** BOSTON PARK PLAZA Ballroom Remarks: Carter Wilkie Staff Contact: Reta Lewis **POOL PRESS DURING THE PRESIDENT'S REMARKS** **[SEE SITE DIAGRAM TAB P]** NOTE: **The President** is seated at front table. – Alan Leventhal introduces Chairman Wilhelm. – Chairman Wilhelm makes welcoming remarks and introduces Sen. Kerry. – Sen. Kerry makes remarks and introduces Sen. Kennedy. – Sen. Kennedy makes remarks and introduces Mayor Menino. – Mayor Menino makes remarks and introduces **the President**. – **The President** makes remarks works ropeline and departs.
9:35 pm- 9:40 pm	**PHOTO** with Volunteer Drivers ON DEPARTURE FROM PARK PLAZA

9:45 pm	**THE PRESIDENT** departs Boston Park Plaza via motorcade en route Sheraton Tara, Nashua, New Hamphire [drive time: 1 hour]
10:45 pm	**THE PRESIDENT** arrives Sheraton Tara, Nashua, New Hampshire
BC RON	**SHERATON TARA** **NASHUA, NEW HAMPSHIRE**
HRC RON	**WHITE HOUSE**

as of 03/12/94 11:50pm

THE WHITE HOUSE

WASHINGTON

March 10, 1994

MEMORANDUM FOR THE PRESIDENT

BREAKFAST WITH THE G-7 MINISTERS
DATE: March 14, 1994
LOCATION: Westin Hotel, Cabot Room (4th Floor)
TIME: 9:00 am
FROM: Bill Whyman, NEC and NSC

I. PURPOSE

This is your chance to meet with the G-7 ministers attending the jobs conference and share with them your ideas about unemployment and job creation. The official group photo will also be taken.

II. BACKGROUND

A background paper and talking points are attached.

III. PARTICIPANTS

Twenty ministers from the G-7 countries: Canada, the European Union (including two ministers from Greece), France, Germany, Italy, Japan, and the United Kingdom. Names and titles of ministers are provided in the attached background paper.

US participants: The Vice-President, Secretary Bentsen, Secretary Brown, Secretary Reich, CEA Chair Tyson, Assistant to the President Rubin, and Deputy National Security Advisor Berger.

IV. PRESS PLAN

Three pools sprays at the beginning of the meeting. There will be no question and answer session.

An official photo with ministers will be taken at the end of the event.

V. SEQUENCE OF EVENTS

- The US participants will arrive first (8:30) and greet the ministers from the G-7 countries, over coffee.

- You and the Vice-President will join the ministers, and move to the table for discussion

- o Once seated, three pool sprays will take pictures with you and the ministers at the table, and then leave.
- o You will make remarks (attached), followed by a brief discussion with the ministers if you choose.
- o A White House photographer will take an official photo of you and the ministers.
- o You will depart for your speech at Fox Theater.

VI. TALKING POINTS, BACKGROUND, LIST OF MINISTERS ATTACHED

BACKGROUND

<u>BACKGROUND</u>. Prior to your speech you will have the chance to warm-up over coffee with the G-7 ministers. The G-7 countries are coming to Detroit interested in novel approaches to a common and politically sensitive problem. With unemployment almost 12% in Europe and at recent highs in Japan, they welcome your leadership in bringing growth and employment issues to the center of the international economic agenda.

<u>G-7 INTEREST</u>. The conference represents a deepening of the G-7 agenda beyond the abstract macroeconomic and financial issues that have been its staple. Through the conference, you are pushing the G-7 to deal with the detailed structural economic issues that affect working people. The number one issue at the Naples summit will not be cold war issues of the past, but growth and jobs in the 21st century economy. The conference will give you a chance to pursue these issues at Naples.

<u>G-7 CONCERN</u>. On the other hand, the G-7 ministers are wary that the message (and press stories) coming out of the conference could be at odds with their own domestic agendas when they return home. Unemployment is **the single biggest issue** in much of the G-7. They recognize that the conference will not provide a magic solution and could put the spotlight on their own high unemployment and economies' poor performance.

The G-7 have sent their senior cabinet members to demonstrate to their own disgruntled electorates that they too care about jobs. They hope the conference will show that it is not their administrations that have failed to create jobs, but that unemployment is a larger problem shared by all of the industrialized world. They are also looking for political cover to push their own, sometimes unpopular, reforms at home.

<u>THEIR AGENDA</u>. Each of the G-7 is coming with its own agenda:

- <u>Britain</u> most closely shares our free market approach. They want to use the conference to validate their own free market labor reforms which have angered the unions. They also see the G-7 as a more sympathetic forum to take on the EU (Delors') White Paper approach which they see as too interventionist and expensive.

- <u>France</u> is on the other extreme, often seeking to block market forces when they force painful economic adjustment on the French public. The Balladur government has taken tentative steps to make their rigid labor markets more flexible, but has been met with strikes and protest. Given this sensitivity, French ministers wanted to dominate the conference agenda. French protectionist proposals and accusations of "social dumping" worry others.

- Germany is somewhere between Britain and France when it comes to free market policies. It has the lowest unemployment of the European G-7, but also the highest labor costs. Germany is worried that its generous social programs and regulated labor markets leave it poorly equipped to compete. They want the conference to validate their plans for structural reforms to reduce unemployment, especially with 17 elections this year. They are leery of G-7 pressure for macroeconomic expansion via German interest rates cuts.

- Japan is worried that the Europeans, especially the French, will argue that Western unemployment is due to unfair practices in Japan and Asia. Our bilateral impasse over the Framework and recent super-301 announcement leave them uneasy, especially in Detroit which in Japan has special significance given our auto trade deficit. Japanese economic ministers chose not to come in part due to domestic political needs, but in part due to this uneasiness. They are defensive and will push for a pro-free trade message.

- Canada is generally sympathetic to our views. For the new government, the jobs conference is their ministers' debut on the international stage. As with other G-7 countries, they hope the conference will validate their own structural economic reforms (a huge budget deficit blocks action on the macroeconomic side) and demonstrate to their public they are "doing something" about unemployment.

- Italy hosts the subsequent Naples summit and supports the conference as teeing up an important issue for them. Italy shares Europe's problems of high unemployment, generous social support, and rigid labor markets. Despite impressive innovation and a more dynamic private sector, especially from small and medium size business, they sometimes follow French protectionist and other interventionist government approaches. Parliamentary elections two weeks after the conference, heighten their political concerns.

- The European Union has led a year-long policy exercise centering on the White Paper, under the guidance of President Jacques Delors. The EU delegation will try to steer discussion back to the EU agenda in the white paper. French and Italian support for the paper, will be contested by Britain and to a lesser extent Germany, which object in part to controversial billion-dollar infrastructure spending plans. President Delors, who you invited to attend, cannot come due to last minute negotiations over EU enlargement.

G-7 Ministers Attending the Breakfast

CANADA

Lloyd Axworthy, Minister of Human Resources Development and Minister of Western Economic Diversification. The senior of the Canadian Ministers attending the Conference.

John Manley, Minister of Industry. Interested in technological innovation and job creation.

Paul Martin, Minister of Finance and Minister Responsible for the Federal Office of Regional Development- Quebec.

Roy MacLaren, Minister for International Trade

THE EUROPEAN UNION (new name of the European Community)

The Commission

Hennig Christophersen, Vice President of the Commission. Christophersen, a former Economics Minister of Denmark, has the Commission lead on economic and financial affairs.

Padraig Flynn, Commissioner (Social Affairs and Employment). Flynn, Irish, has the Commission lead on labor issues.

The Council of Ministers (Greece currently holds the rotating presidency).

Yiannos Papantoniou, Chairman of the ECOFIN Council, European Union Council of Ministers. Alternate Minister of the Economy of Greece. Papantoniou is the Acting Minister, as the Minister is gravely ill.

Evangelos Yiannopoulos, Chairman of the Social Affairs Council, European Union Council of Ministers. Minister of Labor of Greece.

FRANCE

Edmond Alphandery, Minister of the Economy. The key economic issue he confronts is France's 12 percent unemployment rate, the highest in the G-7.

Michel Giraud, Minister of employment, Labor and Training. Open to new ideas and interested in US experience in job creation. May not attend conference unless given formal role as presenter.

Anne Lauvergeon, Deputy Secretary General of the Presidency. Lauvergeon is the only French official who reports to President Mitterrand, rather than to Prime Minister Balladur.

GERMANY

Guenter Rexrodt, Minister of Economics. Member of Free Democratic Party, and firm believer in market economics.

Norbert Bluem, Minister for Labor and Social Affairs. Good ties to German trade unions.

Theo Waigel, Minister of Finance. Bavarian Christian Democrat, and believer in conservative fiscal/monetary policies.

ITALY

Piero Barucci, Minister of the Treasury. Wants to ensure Jobs Conference results factored into Naples Summit.

Gino Giugni, Minister of Labor. Interested in highlighting Italian success in creating jobs in small enterprises.

JAPAN

Chikara Sakaguchi, Minister of Labor. Likely the only minister from Japan attending. A member of the Komeito (Clean Government) Party, one of seven parties in Hosokawa's coalition.

Otohiko Endo, Acting Minister of International Trade and Industry. Previously, parliamentary Vice-Minister, but named "acting minister" so that he can attend. Elected Dietman (congressman) since 1990, member of Komeito party.

UNITED KINGDOM

Kenneth Clarke, Chancellor of the Exchequer. Possible future contender for Prime Minister.

David Hunt, Secretary of State for Employment. Interested in role of small/medium enterprises in job creation.

Breakfast with G-7 Ministers

Talking Points

- I want to personally welcome you to Detroit. Of course, the jobs conference is a ministerial, and I will not attend your following sessions.
  - -- However, before my speech, I wanted to talk to you about these critically important employment issues which confront us all.
- My original intention in calling for this conference, came from my experience at last year's Tokyo summit. At Tokyo it became clear to me that all of us are struggling to create jobs and lower stubbornly high unemployment levels.
  - -- We will be more successful if we work on this together.
- One way of looking at this is in terms of change and our ability to respond to it. How we as countries, as economies, and as individuals respond to change is a fundamental guide to the way we deal with unemployment.
- I know across my economic agenda -- whether its health care, international trade, or last week's introduction of my re-employment act -- the key question is how we deal with change.
- It's clear that in order to generate the growth we need, to create the good jobs our citizens deserve, and to have a healthy world economy, we need to increase our ability to respond to change.
- Yet it is also clear that our citizens are concerned and ill at ease -- and understandably so -- with all the changes that technology and the global economy increasingly bring to their front door steps.
  - -- We need to address these legitimate feelings of concern.
  - -- We need to communicate with our citizens and hold out a positive and credible plan to help them.
  - -- We need to develop better policies and programs that will produce more jobs and more growth.
- I hope over the next day and one-half, you will all have a lengthier discussion about change and how we as the G-7 can help our economies, our firms, and our workers adjust.

- -- We need to deepen our current discussions of macroeconomic policy, and how they relate to the other structural reforms we are all pursuing.

- -- All of us need to increase public support for free trade and investment.

- -- We need to adopt technology and unlock its potential to improve our lives, but we must also retrain our workers and educate our young to use it fully.

- -- And last but not least, we need to improve how our labor markets work so that our firms are productive and our workers have dignity.

o Very shortly, I will be sharing with you and others some of my thoughts on this subject at my speech.

- -- **(Note: you may want to briefly preview your speech).**

o I am also interested in learning from you and your discussions. I know that I want growth and job creation to be on the top of the agenda at the Naples summit, when I get together with your heads of state in July.

- -- At Naples we will want to carry on what you have started: to learn from each other, to share what has and has not worked, and for each of us to take that knowledge home and run better programs and policies.

o So I wish you a productive and interesting day and a half. I know with my secretaries, they will at least be provocative. I urge you to take advantage of this opportunity and give us a good start for Naples.

THE WHITE HOUSE

WASHINGTON

March 12, 1994

PHOTO OPPORTUNITY WITH JOB CORPS STUDENTS

DATE:	March 14, 1994
LOCATION:	Westin Hotel, Fourth Floor
TIME:	9:45 am
FROM:	Kitty Higgins

I. PURPOSE

You will be available for a photograph for the 30th anniversary issue of the Jobs Corps magazine to demonstrate your support for the Job Corps. The Department of Labor has selected two students from the Detroit Job Corps Center.

II. BACKGROUND

This year marks the 30th anniversary of the Job Corps program. The photograph planned during your visit to Detroit will be used in connection with the 30th anniversary celebrations (Job Corps magazine and other promotional materials).

The Job Corps is one of the original War on Poverty programs established during the Johnson Administration. It targets the most severely disadvantaged youth and provides academic instruction, vocational training, social skills training and comprehensive support services (e.g., counselling, medical) in a residential setting. It is a highly successful program. Your budget calls for expanding the program by 50% over the next decade. Nine new Job Corps center sites have just been selected and announced.

You will be joined for the photo by Tracey Howard and Benjamin Boze. Tracey graduated from Ecorse High School in 1988. Recognizing the need the further her education and obtain marketable skills, Tracey enrolled in the Detroit Job Corps Center in 1993. She is enrolled in the Computer Science program and is progressing extremely well.

Benjamin Boze is a graduate of Highland Park High School. He enrolled at the Job Corps Center in November 1992. He has completed training in the center's clerical program and is completing the nursing program. He hopes to enter college to pursue a career as a Registered Nurse or physical therapist.

III. PARTICIPANTS

THE PRESIDENT
Tracey Howard
Benjamin Boze

IV. PRESS

Closed press. White House photo only.

V. SEQUENCE OF EVENTS

- You will be introduced to the students.
- You will pose for photos, and then depart.

VI. REMARKS

None required.

THE WHITE HOUSE

WASHINGTON

March 11, 1994

MEMORANDUM FOR THE PRESIDENT AND THE VICE-PRESIDENT

SPEECH OPENING THE G-7 JOBS CONFERENCE
March 14, 1994

LOCATION:	Fox Theatre
TIME:	10:15am
From:	David Lane, NEC

I. PURPOSE

You are opening the G-7 Jobs Conference with a major speech about job creation and the economy.

II. BACKGROUND

The Speech: The speech is intended to underscore the themes of the conference and to highlight the economic challenges ahead and your agenda for creating good jobs. Background on themes is included in your conference overview memo.

"Economic Heroes": A portion of your speech will focus on "economic heroes" -- workers and businesspeople from around the Midwest who have embraced change and represent new ways of doing things. Their successful strategies include building new skills, building bridges between school and work, moving from welfare and work, using new technologies, exporting their products, transforming their companies, and forging cooperation between labor and management.

The Theater: The Fox Theatre itself sends an important message. Built in 1927 by the founder of the Fox movie production company, the theater was restored in 1988 by **Michael and Marian Ilitch**, owners of Little Caesars Pizza, the Detroit Red Wings, and the Detroit Tigers. **Mrs. Ilitch met you at a CEO lunch in December and is very interested in empowerment zones and urban policy.** Their restoration of the theater is viewed in Detroit as an expression of commitment to the revitalization of the city (they spent more than $50 million).

Detroit is proud of the theater's restoration, and Mayor Dennis Archer held his inaugural there. Historically, the Fox has regularly featured Motown acts, who invariably sign their names on the dressing room wall; theater staff are eager for you to sign.

III. PARTICIPANTS

President
Vice-President

Audience

You will be speaking to a large gathering of more than 3,000 invited guests. The **delegations from the other G-7 countries and the European Union** are VIP guests at the speech, and will be seated in the mezzanine boxes in front of you. Their flags will be hanging in front of them.

There will be a large number of **Michigan elected officials** in the audience, including Detroit Mayor Dennis Archer, Governor John Engler, and Wayne County Executive Ed McNamara. The following Members of Congress are confirmed: Senators Levin and Riegle, Representatives Bonior, Conyers Collins, Dingell, Stupak, Barcia, Carr, Kildee, and Levin. Ambassador Blanchard is also attending.

The entire **Detroit Host Committee** will be in attendance, including the sponsors making many of the conference-related activities possible. Many of your **key political supporters** in Michigan will be seated in the front of the theater.

Also in the audience in the main area in front of you (about 15 rows back) will be the **"economic heroes"** featured in your speech. The audience will be broadly reflective of Michigan, with representatives of the Michigan Education Association, area high schools, the United Auto Workers, the AFL/CIO, senior citizen groups, and Focus: Hope.

Approximately 400 of the guests in the audience were invited by the Office of Public Liaison, including members of various constituency groups. The majority of them are small business people, but also included are African Americans, Asian Americans, Hispanics, Ukrainian-Americans, Armenian-Americans, Arab Americans, Jewish Americans and others.

IV. PRESS PLAN

Open press.

V. SEQUENCE OF EVENTS

- You will be met upon arrival by **Marion and Mike Ilitch**, owners of the Fox Theatre and Little Caesar Enterprises.

- The **President** and **Vice-President** will be announced offstage.

- The **Detroit Symphony** (conductor Leslie Dunner) will play Ruffles and Flourishes and Hail to the Chief as the President and Vice-President move to the stage.

- **Camellia Johnson** will sing the National Anthem.

- The **Vice-President** will make brief remarks and introduce the **President.**

- The **President** will deliver his address.

- The **President** will exit stage left, work the ropeline, and depart.

VI. REMARKS

To be provided by speechwriters.

THE WHITE HOUSE

WASHINGTON

March 12, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BONNIE DEANE

SUBJECT: Faces of the New Economy

In the audience during your G-7 speech will be the eight courageous people from across the Midwestern states who are shining examples of how to embrace change and compete in the emerging global economy. You will cite them in your speech.

Background: **Faces of the New Economy for the G-7 Jobs Conference**

We have selected eight people to represent how Americans adapt to change and compete in the global economy. These men and women were selected to represent a cross section of the Midwestern states, various ages, and different types of jobs. They are examples of new economy themes or strategies for success. We deliberately selected people who were not famous or award winning, but rather, representative of the millions of people who struggle to cope with change.

For each of the profiles below, we have highlighted the main new economy themes in their story. These themes include building new skills; building bridges between school and work; moving from welfare to work; using new technologies; new environmental industries; exporting products; transforming companies to be more productive and competitive; and forging cooperation between labor and management.

These Detroiters and Midwesterners represent for their home towns and for the world how Americans adapt to change and compete in the global economy. During the 1980s this region has faced up to wrenching changes that have challenged many companies, their workers and the families of those workers. Here in the industrial heartland of America, Midwesterners are meeting those challenges and triumphing. We are assisting millions of people and businesses to find and create jobs in the new economy with our initiatives for investing in technology, opening trade, building a reemployment and training system, connecting school to work, and reforming the welfare system.

PROFILES FOR THE FACES OF THE NEW ECONOMY

Ocelia Williams, Cin-Made Corporation (Cincinnati, Ohio)
Themes: Labor-Management Relations; High performance work; Profit sharing; Teams.

Ocelia Williams is a "lead person" and metal slitter operator at the Cin-Made Corporation in Cincinnati, Ohio. She had to adjust to new ways of working as labor and management found new ways to organize the production process. You may have met her when she was a panelist at the Chicago Conference on the Future Workplace.

Work at Cin-Made is structured around self-directed work teams and the unionized workforce participates in a profit sharing system which guarantees the employees 18% of pretax profits. Williams was Union Steward of Local 989 of the United Paperworkers International Union between 1981 and 1991. Cin-Made manufactures containers.

Bruce Wirtanen, founder of Waterworks America Inc. (North Royalton, Ohio)
Theme: Entrepreneur uses new technology to conserve water and boost exports.

This small company has developed a non-toxic synthetic polymer that can absorb 500 times its weight in water. When placed in soil, Waterworks crystals are able to trap 90 percent of the water that usually "runs off," thereby reducing required watering intervals by as much as 5 percent. The implications of this product are global; three-quarters of the company's production is exported to water-sensitive areas in Asia, the Middle East, Africa, and Europe. "The government of Saudi Arabia is using Waterworks in its public areas. Water is much more expensive than oil there. so we give them a huge economic as well as environmental return," says founder **Bruce Wirtanen**. Solving environmental problems can lead to new jobs: Waterworks has over 50 employees and is expanding.

Kathy Price, Programmer Analyst (Chicago, Illinois)
Theme: Making the transition from Welfare-to-Work.

Kathy, a 33 year old mother of two children, spent over eight years on AFDC. Although Kathy was working full time while on welfare, she was unable to make ends meet and needed additional assistance. When her employer shut down, she became completely dependent on AFDC. To improve her job prospects, Price enrolled in the Employment Development Program at the Martin Luther King, Jr. Community Services Center. The program gave her job training and helped her find a job while she was still finishing school. Since she began work full-time as a programmer analyst in December 1991, Kathy has been completely free of public assistance.

Frank Rapley, Superintendent, Kalamazoo County Public Schools (Kalamazoo, Mich.)
Theme: Building School-to-Work opportunities.

Frank Rapley is the Superintendent of the Kalamazoo County Public Schools. School-to-Work programs are operating in all nine school districts. From seventh grade to senior year, students learn about career opportunities in school, build career skills at local businesses, and identify the postsecondary training needed to reach their goals. Students can participate in job shadowing, mentorships, apprenticeships, business and industry work site training, cooperative education and externships. Over time the students develop their career plans and create a portfolio of work that reflects their skills.

Steve Choate, Springfield Remanufacturing Corp. (Springfield, Missouri)
Themes: Labor-Management Relations; Information Sharing; Community College

Steve Choate is the plant manager for Megavolt, a subsidiary of Springfield Remanufacturing Corp (SRC). Steve started with SRC 18 years ago as a janitor without a high school degree. At the company's urging, he studied for his GED and attended classes at Southern Mississippi State. He moved up the ladder to become a department supervisor, general foreman, plant manager of SRC's Willow Springs facility. In 1992, he became plant manager of SRC's electronics spin-off, Megavolt. He now has substantial equity in the company. Megavolt rebuilds starters, alternators, and generators for farm equipment.

Springfield Remanufacturing Corp is an employee-owned former division of International Harvester. Since the employee buy-out in 1982, the company has practiced "open book management." SRC discloses all financial figures to its workers. SRC also solicits new product ideas and business plans from workers. Its innovative practices have generated greatly increased productivity and record growth for the company.

Debbie Colloton, Rockford Process Control Inc. (Rockford, Illinois)
Themes: Community College; Worker Retraining; Labor-Management Cooperation

Debbie Colloton, a mother of two, started working for Rockford Process as a machine operator. While working at the company, she received her Associate Degree through the Rock Valley program. As a result of her training, she is now the company's quality control officer and a team leader for meeting the ISO 9000 international quality standards. She is also studying for her Bachelors Degree. The company is paying her tuition.

Rock Valley Community College serves as a retraining school for workers of over 100 local companies. **Rockford Process Control, Inc.** is one of those companies.

The company, a metal assemblies maker, started sending its 60 employees to Rock Valley in the late 1980s. They study just-in-time production, problem-solving, and other techniques that helped Rockford cut defects, speed production, and land Honda as a client. By year end, Rockford's revenues will have doubled since 1990 to $12.5 million. The work force has expanded to 125.

Anna Satur, Chrysler Jefferson Plant (Detroit)
Theme: Older worker receives retraining; company turnaround.

Chrysler was able to take a workforce that was averaging nearly 53 years of age and had and less than 12 years of schooling and transform it into a world class auto production workforce. The Grand Cherokee Jeep which is produced at Chrysler Jefferson is eloquent testimony to the fact that older workers can learn new skills and compete in the new economy.

Ms. Satur who is 64 years old exemplifies this "can do" spirit. She began her career at Hamtramck Assembly as a conveyor loader over thirty years ago. She worked at numerous jobs--driver, assembler, material handler and stock chaser--until the plant closed. She was transferred to Jefferson Assembly in April 1980 where she was assigned to the material department. In her fifties, Ms. Satur completed over 200 hours of classroom training in areas such as product, safety, and new operating procedures.

Harold Wright, Instructor for the International Union of Operating Engineers (Detroit)
Theme: Worker who has succeeded through retraining now helps others build skills.

Harold Wright worked for BASF Corporation as a chemical operator making polyurathane used in auto parts for three years. He was laid off at Christmas time just after purchasing his first home and getting married. His unemployment benefits were exhausted before he could find another job.

Wright decided that he needed new skills in order to get a job that would support his family. He enrolled in classes and persevered although his grants and loans barely covered the first semester. Finally he found out about a special dislocated worker program that could help him get the training he needed. Although he found a job shortly after completing the course, he continued to obtain additional skills and seek better employment to support his wife and two daughters. Wright attained several levels of qualification in heating and air conditioning, moved to better jobs, and now is an instructor for the union.

The President of the United States
Opening Address
G-7 Jobs Conference
Detroit, Michigan
March 14, 1994

Introduction/the challenge

This theater where we are meeting represents the cultural richness and indomitable spirit of our host city, Detroit. Our foreign guests may not know that America has its own royalty, but Count Basie, the King of Rock-and-Roll, Elvis Presley, and the Queen of Soul, Aretha Franklin, all performed here. Thanks to Michael and Marian Ilitch, this theater has been restored. And it is wonderfully symbolic that Detroit's new Mayor, Dennis Archer, held his inaugural here, because under his leadership, this city is answering his call to become "an urban jewel" once again.

I am delighted that the ministers from the world's leading industrial nations have come here to America's industrial heartland for this important meeting.

We meet at a hopeful and historic time. Technology that was once the province of science fiction now fills our factories and our homes. Nations that once aimed missiles at each other now cooperate in space and here on earth. And jobs that challenge the mind instead of straining the back are within the grasp of all our people. All this is possible, if we work together.

For the past half century, our great endeavors -- from containing communism, to defeating aggression in the Persian Gulf, to expanding world trade, promoting democracy in the former Soviet Union, and helping to solve the tragic conflict in Bosnia -- have depended upon the common bonds among our countries.

I convened this conference to summon the same collective energy to one of the greatest problems of our era: the challenge of creating high-wage jobs in mature industrial countries in the new global economy.

In different ways, every advanced country faces a stubborn, persistent problem of jobs and incomes. Some are having difficulty creating new jobs; others are having difficulty lifting their people's incomes. We are here because each of us has something to learn and something to teach. We all can do better.

This conference brings together, for the first time ever, our ministers of finance, labor, commerce, and economics. The riddle of job creation won't be solved by interest rates or training policies or high-tech investment alone -- we need all these, and more. And some of the ministers were telling me that, if we can get the finance ministers and the labor ministers to talk to each other, we can accomplish anything.

There is no better place to address our challenges than here. This city, this state, and this region tell us why we must change -- and why we can.

When I was growing up, many of my neighbors were farmers. As agriculture mechanized, hundreds of thousands of people from the South moved to cities like Detroit, where factories jobs paid better than farms. And, when I campaigned in Michigan two years ago, it seemed that every third person came from Arkansas.

For most of this century, the industrial Midwest has symbolized economic opportunity. Just a few miles from here, the assembly line was invented, the big three auto companies were founded, and a great labor union was organized. Generation after generation took their place, on the assembly line -- and in the great American middle class.

Industrial America was hard hit by the economic slide that began here and so many other places two decades ago. But the people of this region fought back.

Our Big Three auto companies improved quality, safety and fuel efficiency. And they're regaining their market share, at home and abroad.

For the past dozen years, Michigan has made the journey to the new economy. Small and mid-sized businesses have created nearly 400,000 manufacturing and industrial service jobs. And **The Economist** magazine calls "Automation Alley" -- the 40-mile corridor between Detroit and Ann Arbor -- "the fastest growing technology corridor in America."

Too many people have been left behind, especially here. But the people of Detroit are resilient and hardworking.

This morning, I want to introduce you to eight extraordinary people, from throughout the Midwest, who exemplify the changes we all must make to benefit from the new economy:

Anna Satur took 200 hours of training for her new job at the Chrysler Jefferson plant here in Detroit, where they make the Grand Cherokee Jeep.

Steve Choate, who started as a janitor, is plant manager for Megavolt, in Springfield, Missouri, part of an employee-owned company that practices "open book management," sharing its financial figures with its workers and asking their help in planning new products.

Debbie Colloton started as a machine operator, took advanced training, and became the quality control officer for Rockford Process Control, Inc., a metal assemblies maker in Rockford, Illinois.

Bruce Wirtanen founded Waterworks America, Inc., in North Royalton, Ohio. They make crystals that save water in places like Saudi Arabia where water is more expensive than oil.

Kathy Price, of Chicago, learned new skills at the Martin Luther King, Jr., Community Services Center and moved from welfare to work as a programmer analyst.

Fred Bradley is Superintendent of the Kalamazoo, Michigan, public schools where they help young people who are not going on to college move from school to work.

Harold Wright learned new skills in heating and air conditioning after he lost a factory job here in Detroit. And now he's teaching other workers those skills as an instructor for the International Union of Operating Engineers.

And **Ocelia Williams** is a "lead person" and metal slitter operator at the Cin-Made Corporation in Cincinnati, Ohio, a unionized company with profit sharing and self-directed work teams.

These faces of the new economy have their counterparts in all our countries. They sent us here to find new ways to create new jobs and better jobs, and we must not let them down.

Let us begin by recognizing reality: Private enterprise, not government, is the engine of economic growth and job creation. Our vision of a good society depends at least as much on a thriving private sector as on a generous public sector.

And let us also recognize what government can, and must, do: Give our private sector the tools to grow. And prepare our people for the jobs of the new economy that is emerging around us.

Here in the United States, we are moving in the right direction. Our economy has created almost 2.1 million jobs in only 13 months -- and 90% of those jobs are in the private sector. But, for all the jobs we have created, America still has a job to do.

Millions are still unemployed. Too many middle class people are still working harder for less. And too many lack the training to prosper in today's competitive environment.

The growing gap between the incomes and opportunities of the skilled and unskilled threatens not only the strength of our economy but the fabric of our society. A year ago, unemployment was 12.6% for people with no high school diploma, compared to 7.2% for high school graduates, 5.7% for people with some advanced training, and 3.5% for college graduates. And unemployment is highest in places that are isolated from opportunities, from our inner cities to our most remote rural areas.

Historic moment/the choice

We face the fundamental challenge of our times: to find new ways to equip our people to succeed, while harnessing the dynamism of the marketplace. And we must do this while the ground is shifting beneath our feet.

From the end of World War II to the end of the Cold War, mass production and its economies of scale made our economies strong, our corporations successful, and our workers secure.

For the past two decades, this settled world has been buffeted by ever-stronger winds of change. A global economy is taking shape where information and investment move across our national borders at stunning speed, and competition for jobs and incomes is intense.

For economies at the cutting edge, there is no place to hide and no time to rest. Rapidly developing nations strive to improve their living standards by showing they can do what we do -- or used to do -- just as well and at lower costs.

As the old era gives way to the new, our nations face a clear and crucial choice: to hunker down, build walls of protection, and suffer a slow and steady decline in our living standards -- or seize the opportunities of the new economy, create high-wage jobs, and prepare our people to fill them.

America has chosen change

Here in America, we are choosing the course of change. Let me tell you what we are doing.

The first thing this Administration did -- the first thing any country must do -- was build a stable foundation for growth. For years, at G-7 meetings, you insisted that our deficit was a drag on the world economy. And you were right.

Last year, we acted. We cut our deficit by $500 billion, so that it is now lower as a percentage of national income than all but one of the G-7 countries. Our economy is on track for strong and steady growth. But there hasn't been a turn-around in Europe and Japan. That is why we must redouble our commitment to the three-part growth strategy we agreed upon in Tokyo: deficit reduction in the United States, increased domestic demand in Japan, and lower interest rates in Europe.

We are doing our part to tear down trade barriers. In the past year, with NAFTA, GATT, and meetings of the Asian Pacific economies, we all did a generation's worth of work to promote global growth, create jobs, and increase incomes in all our countries.

During the debate about NAFTA, we heard the concerns of working people who are vulnerable to instantaneous movements of money and management. But we also faced this simple truth: Export-related jobs are good jobs, paying 17% more than average. Trade is not a zero-sum game. If the world economy declines, we all lose; and when it grows, we all win.

We are also investing in job-creating technologies, from dual-use military and civilian technologies, to an information superhighway connecting every classroom and every library.

Many of these technologies will protect our planet while creating new jobs. Together with the big three auto companies and the United Auto Workers, we are promoting clean cars that cause less pollution. From Theodore Roosevelt, to Walter Reuther, to Vice President Gore, our wisest leaders have cared deeply about our workers and our environment. And these visionaries are right: Clean air, clean water, and good jobs all go together.

Our economic plan is beginning to work. Unemployment and interest rates are down; millions of families have refinanced their mortgages; and auto sales are the highest in four years. Here in Michigan, more than 70,000 new jobs have been created in the past year, almost all in private industry.

The obstacles to change

We have laid the foundation for growth. But we must not pretend that our work is done.

Here in our heartland, and throughout the industrial world, too many people have worked hard, only to see their living standards stagnate or decline. We need to restore their confidence that, if they learn new skills and help their countries move forward, they will be rewarded and not punished.

That is why we must address three critical problems that discourage our people from embracing change: Unless people believe they are prepared for the jobs of the future, that productivity benefits them, and they can have strong families in a dynamic economy, they will turn against change.

Our first challenge is fundamental: preparing our people for a world of work that offers high wages but demands high skills.

When I address our young people, I tell them they will probably change jobs seven or eight times. That is why we are moving forward with an agenda for lifelong learning. Congress is preparing to pass Goals 2000, which asks our students and our schools to meet the world's highest standards of achievement. And, for those who go directly from high school to jobs, we are learning from your nations and creating school-to-work transitions.

Learning must never stop. Our unemployment system was designed to tide workers over while waiting to be called back from layoffs. But, now, the old jobs aren't coming back. That is why, last week, we presented a plan to turn our unemployment system into a reemployment system, consolidating existing training programs, creating one-stop career centers, and enlisting business and labor to prepare people for jobs that actually exist.

We need the talents of all our people. Right now, in our inner cities, we are wasting too many people. If you think there is no hope, I wish you had been with me yesterday when I visited Focus Hope. I saw young people learning advanced skills for jobs in engineering, robotics, and other fields of the future. We must reach our most disadvantaged young people, at the earliest ages, and tell them there is a path to a productive life, whether it is college or job training.

When people are prepared for the jobs of tomorrow, they will not resist change. We can build their confidence by meeting our second challenge: making people believe that productivity a source of gain, not pain.

In the past year, the competitiveness and productivity of American companies began to rebound because of new technologies, restructuring, new ways of working, and a more stable fiscal environment.

But let's not fool ourselves. At conferences like this, government officials and business executives often point with pride to productivity gains because they improve efficiency and increase profits. But many working people think they mean layoffs and lower wages. We must convince them that change can work for them, not against them.

We have to promote productivity. It lets us produce goods that would once have been luxuries -- from cars to computers -- at lower costs for larger markets. It lets us grow our economy, so that we lift more people into the middle class, without squeezing anyone out.

Productivity drives the American Dream. From 1947 to 1973, productivity grew by 3.1% a year -- and wages grew at nearly the same rate. Since then, the growth of productivity has slowed down, and real wages, and people are working longer and harder.

Because we need to work smarter, not harder, we must boost our productivity. Today, our Senate is debating a bill to help business conduct research and development and create manufacturing centers that will put new technologies in the hands of all our companies, large and small. With investments in research and development, we can bring productivity growth -- and income growth -- back where they need to be.

Yes, there will always be restructurings. Yes, there will always be layoffs. The best government policies, and the best business practices cannot stop painful change. But we can, and must, help our people shape the change and benefit from it.

Government can help. We can block the low road of competition, the dead-end street of substandard wages and unsafe conditions. And we can encourage our companies and our unions to take the high road of labor/management cooperation.

From companies that make cars to those that write software, some of the greatest gains in productivity have been achieved by those that treat their workers like assets, not costs. These high performance workplaces train and retrain their employees; empower them to take personal responsibility for the quality of their products and services; and treat workers and their unions as allies, not adversaries.

Today, I'm visiting a company called Detroit Diesel that is working with the UAW to make high-quality engines for domestic and foreign markets. The chief executive, Robert Penske, is known for sending championship teams to the Indianapolis 500, and he's also building a championship team at Detroit Diesel, a team that is succeeding in the face of change.

Our third challenge is to offer people security in their own lives while maintaining the dynamism of market economies.

Some say that, whenever we ask employers help their workers be more secure in their families, we chill the dynamism of our economy. Others who refuse to acknowledge that, if we are not careful in constructing our social policies, we could end up hurting the very workers we are trying to help. The first step to solving this problem is to put aside ideological preconceptions and take an honest look at what works and what doesn't.

I know that this is a consuming issue in Europe as well as here. Jacques Delors, President of the European Community, has written a compelling white paper on the stagnation of jobs in

Europe. It argues that the welfare state as currently structured in some countries stifles growth and job creation. And I also read an essay by Nobel Prize-winning economist Robert Solow who argues that monetary policies contribute to the problems some blame on labor market rigidities. I hope you discuss both papers and both viewpoints.

Striking the right balance is a task that we are tackling right now as we strive for health care reform. I believe our approach will provide health insurance that can never be taken away, while making our markets more dynamic. It reduces health care costs; rewards the great majority of companies that take responsibility for their employees' security; stops shifting the costs of caring for the uninsured to companies with insurance plans; and gives people the confidence to start their own businesses, move from old jobs to better jobs, or from welfare to work.

Conclusion: why we must act together

Our challenges are urgent, and we must solve them together. We must build a consensus that unemployment in one of our countries is a crisis in all our countries; stagnant wages in one of our countries is a crisis in all our countries; and a crisis of confidence in one of our countries is a crisis in all our countries. All our countries must succeed, for if even one of us fails to convince its people to embrace change, it could retreat from the world economy. And that could set off a downward spiral of protectionism, turning backward, building walls, and pointing fingers.

If the faces of the new economy -- Anna Satur, Steve Choate, Debbie Colloton, Bruce Wirtanen, Kathy Price, Frank Rapley, Harold Wright, Ocelia Williams, and the counterparts in all our countries -- can have the courage to change, then so can we. We can proceed in the spirit that Franklin D. Roosevelt called "bold, persistent innovation."

We all have faced difficult and decisive choices before. After World War I, our nations turned inward. The result was Depression and war. After World War II, we faced the future courageously, building alliances and new institutions that kept the peace, promoted prosperity, and advanced democracy.

Now, at the end of the Cold War, we must choose once again. Will we have the courage to embrace change? I believe I know the answer. Together, we can make the next half century the most hopeful and creative in human history.

THE WHITE HOUSE

WASHINGTON

March 11, 1994

MEET AND GREET WITH FRIENDS, LOCAL ELECTED OFFICIALS AND SUPPORTERS

DATE: March 14, 1994
LOCATION: Fox Theater Atrium
TIME: 11:15 a.m.
From: Linda Moore, Political Affairs

I. PURPOSE

To spend time with key federal, state and local elected officials, labor leaders, Party officials, campaign supporters and friends in an informal setting.

II. PARTICIPANTS

Approximately 75 of those referenced above. You will know almost everyone there.

III. PRESS PLAN

Closed press.

IV. SEQUENCE OF EVENTS

* You will have approximately 30 minutes to work the room.

V. REMARKS

None needed.

THE WHITE HOUSE

WASHINGTON

March 12, 1994

TOUR OF "DETROIT DIESEL" FACTORY

DATE:	March 14, 1993
LOCATION:	1340 Outer Dr. West Detroit, Michigan
TIME:	12:15-1:15 PM
From:	Michael Waldman MW

I. PURPOSE

To highlight and visually underscore the themes of your address at Fox Theater. In particular, the employees at Detroit Diesel are older, long-time employees who have turned a company around by exporting, adapting to new technology, and dramatically changing labor-management relations.

II. BACKGROUND

Detroit Diesel began operations in 1988 as the successor to the heavy-duty diesel engine business of a division of General Motors. At the time of the spinoff, labor-management relations were rocky, and domestic diesel sales were in decline.

The new owner, Roger Penske, worked with the United Auto Workers to transform the firm into an entrepreneurial, flexible, high-skill manufacturer of a wide array of advanced diesel engines with integral electronic controls. The workers are generally experienced former GM workers.

The firm's employees and management worked together to achieve productivity benchmarks; customize products; and expand exports (to Asia, South America and now Eastern Europe). They have made *Focus: HOPE* the sole-source, just-in-time supplier for pulleys used in diesel engine construction.

In 1993, in the face of a 19% decline in sales to the downsizing military, Detroit Diesel increased total sales by more than $200 million and doubled its earnings from $10 million to $20 million.

Roger Penske -- in addition to being a prominent investor -- is the owner and manager of the Penske Racing Team that has won more Indianapolis 500 races than any other in the world.

III. PARTICIPANTS

Roger Penske, CEO, Detroit Diesel
Ludwick Koci, President, Detroit Diesel
Owen Bieber, President, UAW
Bob King, VP UAW Region 1-A

IV. PRESS PLAN

Pool press.

V. SEQUENCE OF EVENTS

- Arrive at Detroit Diesel plant. Greeted by Roger Penske, Ludwick Kocki (Detroit Diesel), Bob King (UAW).
- Tour assembly line
- Remarks to employees

VI. REMARKS

Remarks should be <u>very brief</u>, so as not to distract from the Fox Theater speech.

THE WHITE HOUSE

WASHINGTON

March 11, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: PAUL DIMOND

SUBJECT: BACKGROUND ON DETROIT DIESEL

Proposed Theme. "The State of Michigan didn't volunteer to be the leader in the technological and global change in our industrial base from the old means of mass production for domestic markets to the new means of flexible production for global markets. In the 1980's Michigan lost 280,000 of the old manufacturing jobs, 180,000 due to plant closing and layoffs from the Big Three alone. The untold story is that during this same time, the workers and the entrepreneurs, labor and management in Michigan rolled up their sleeves and decided to work harder, and smarter, and together: 11,000 manufacturing firms created 275,000 new jobs, while engineering, design, soft-ware, marketing and other industrial service firms added another 95,000 jobs to the Michigan economy. Today, Michigan is leading the way in building a new, world-class industrial base of flexible, high-quality, customer-responsive manufacturing. And Detroit Diesel -- with the leadership, cooperation, and vision of its CEO Roger Penske and UAW President Owen Bieber -- are showing all of us how to compete and win in the global economy by making change our ally for growth rather than our enemy of progress."

Background. Detroit Diesel began operations on January 1, 1988, as the successor to the heavy-duty diesel engine business of the Allison Division of GM. At the time of this spin-off, the relations between labor and management were a mess, and domestic diesel business was in decline, with a fall in domestic market share from 25% in the mid-70's to less than 3% in 1987. Bieber and the UAW Plant Chairman Jim Brown worked with Penske and the new management of Detroit Diesel to transform the company into an entrepreneurial, flexible, high skill manufacturer of a wide array of advanced diesel engines with integral electronic controls. Penske didn't just talk about changing the corporate culture: working with the UAW, he did it. He immediately renegotiated the profit-sharing provisions; and UAW members have received profit-sharing payments every year since. Other examples include a state-of-the-art fitness center, improved training and increased responsibility for front-line workers, and a joint commitment to quality, total customer satisfaction, and resolving labor-management differences constructively. The result: a remarkable 22% turnaround in domestic market share and increasing export to many foreign markets by 1993.

In 1993, in the face of a **19% decline** in year-to-year sales due to the down-sizing military, Detroit Diesel **increased** total sales more than $200 million and doubled its earnings from \$10 million to \$20 million. How? Four ways:

- **Achieving new Benchmarks in productivity**, in Chairman Penske's words, "due to the dedication of our employees to continued savings and to strategic capital spending, both of which result in more efficient manufacturing processes and reduced cycle time, and added value for our customers."

- **Customized Products responsive to customer demands**, including advanced, electronically controlled diesel and alternative fuel engines for On-Highway Trucks, Coaches and Buses, Construction and Industrial users, Power Generation, and Boats

- **Exports**, especially to the rapidly growing markets in Asia, South America and, now, in Eastern Europe.

- **Reduced Costs of Financing**, particularly a new and expanded \$250 million line of credit at lower rates to provide a lower cost of capital for business operations and expansion

Bieber and Penske are both scheduled to be with you.

Two Relevant Anecdotes. First, Detroit Diesel has made Focus:HOPE's Center for Advanced Technology the sole source, just-in-time supplier for 153 different pulleys which are key components for the company's variety of electronically controlled diesel engines. Detroit Diesel Company President, Ludvik Koci said:

> "A pulley on an engine turning at 2100 rpms ends up being a fairly technical piece of machinery. With the kind of flexible machining setup they have, the contract work very well for us."

Second, Roger Penske, in addition to being a world-renowned businessman, may even be better known around the world as the owner and manager of the Penske Racing team that has won more Indianapolis Five Hundred races than anyone in the world. Is it any wonder that such a person can be a team leader to help Detroit Diesel, Michigan, and the U.S. compete and win in the new means of production in the global economy? No! He knows what it means to rely on his front-line drivers -- and the creative cooperation from everyone else involved that is essential to building a winning team. In fact, when Detroit Diesel went public about six months ago, Roger Penske asked UAW Plant Chairman Jim Brown to accompany him to Wall Street. To the amazement of the assembled investment bankers and stock brokers, Penske introduced Brown by saying, "The UAW's my partner!"

Talking Points for Detroit Diesel Event
will be forwarded

THE WHITE HOUSE

WASHINGTON

March 11, 1994

REMARKS TO THE CITIZENS OF BOSTON, MASSACHUSETTS

Date:	**March 14, 1994**
Location:	**Rowes Wharf, Boston**
Time:	**4:55 p.m. - 5:45 p.m.**
From:	**Reta J. Lewis, Political Affairs**

I. PURPOSE

You will meet with and give brief remarks to citizens of Boston prior to participating in the New England Presidential Dinner for the Democratic National Committee.

II. BACKGROUND

Massachusetts will be the site of several key election battles in 1994. Republican Governor William Weld will face opposition from the Democratic nominee in November, while suffering from one of the worst economic record in Massachusetts history. Senator Ted Kennedy will also face a heated re-election bid. In addition, Massachusetts voters will have the opportunity to unseat Republican Representatives Blute and Torkildsen, whose seats have been targeted by the Democratic leadership.

This will be your first open greeting to the citizens of Boston since the election of Mayor Thomas Menino in November, 1993.

III. PARTICIPANTS

Program Participants (Ride to Rowes Wharf with you)

Governor William Weld
Mayor Thomas Menino
Senator John Kerry
Senator Ted Kennedy
Representative Joe Moakley

Other Elected Officials and Friends (Greeters on arrival)

Representative Joe Kennedy
Representative Ed Markey
Representative Martin Meehan
Representative Gerry Studds
Representative John Olver
Lt. Governor Argeo Paul Celucci
Attorney General Scott Harshbarger
State Auditor Joe DeNucci
State Treasurer Joseph Malone
State Senate President William Bulger
House Speaker Charles Flahtery
State Party Chair Joan Menard
Fred Segal
Alan Lebenthal

IV. PRESS PLAN

Open press.

V. SEQUENCE OF EVENTS

- You arrive at Rowes Wharf and are greeted by Official Greeters (listed above)
- Proceed to stage area
- Program begins
- Mayor Menino makes brief welcoming remarks and introduces Governor Weld
- Governor Weld makes brief remarks and introduces Senator Kerry
- Senator Kerry makes brief remarks and introduces Senator Kennedy
- Senator Kennedy makes brief remarks and introduces you
- You make remarks, exit stage, work ropeline and depart

VI. REMARKS

Prepared by Speechwriting.

Wilkie draft of 3/13/94 10:00 a.m.

The President of the United States
Arrival in Boston, Massachusetts
Rowes Wharf
March 14, 1994

Sen. Kennedy. Sen. Kerry, Congressman Moakley, Gov. Weld, Mayor Menino, and all of my friends who have come to greet me, it's great to be back in Boston.

I've just come from a two-day conference in Detroit with leaders of the world's major industrial nations. We met on how to create more high-paying jobs for our workers. You know, whenever I'm in Washington, everybody worries about my job all the time, but the more I get out of the Capital, the more folks start talking about your jobs for a change. Maybe I should come to Boston more often!

I've read the news about the layoff announcements last week at Raytheon and Fleet Bank. All the advanced countries are having similar problems right now. No nation has all the answers, but we can learn from each other. So, this was the first global conference ever on how to create high-skilled, high-paying jobs for more of our people.

I don't want to get into too many details, but let me just say that if America is going to compete and win in the new global economy of the 21st Century, we must find ways to sell more of our products to people overseas, develop and master the new technologies of the future, and invest in the education and training and skills of our workers.

No state is better prepared to take advantage of these opportunities than Massachusetts. You have rapidly growing software design firms that already do half of their business overseas. You have companies on the leading edge of worldwide environmental clean-up. And you have leaders in Washington like Ted Kennedy, John Kerry and Joe Moakley, who are helping me build new opportunities for middle-class America.

When I came into office, the critics said our economic plan wouldn't work, but after a year, we cut the deficit by $130b more than we said we would, and our economy generated two million new jobs, 90 percent of them in the private sector. At this pace, we're going to see two million more new jobs by the end of this year.

We expanded the earned income tax credit for working families who make less than $27,000 a year. In Massachusetts, that means lower taxes for 184,494 families. We also created tax incentives for entrepreneurs who invest in small businesses and new jobs.

When I came into office, the critics said we couldn't pass NAFTA, that we couldn't get trade agreements with the Japanese. But we proved them wrong. The markets we've opened and the agreements we've signed make this the best year for trade ever.

This city and this state have the finest universities in the world. Thanks to Ted Kennedy and others, we reformed the college loan program last year. We toughened the collection process and made student loans more available to more middle class families.

We created a National Service corps to give young people an education in exchange for community service. And I put a man from Boston named Eli Segal in charge. Last year, when the other party tried to stop our idea in the Senate, Ted Kennedy got us through the gridlock. On issue after issue, he has gotten us key Republican votes when we needed them, because no one in Washington understands the United States Senate better than he does.

We want everyone in America to have access to a world-class education, not just the students who go on to college. We've launched a school-to-work job training program, and we're going to set tough, national, educational standards to challenge the Boston Public Schools to work as hard at educating your children as the best public schools in America.

This region has the finest hospitals and the finest doctors in the world. We're trying to reform the health care system so we can keep what's best about it and still bring costs under control. Who runs the two most critical committees for this bill in Congress? Ted Kennedy in the Senate, and Joe Moakley in the House. With their help, I'm going to try to give every American a choice of health care plans as good as the plan you give us in Washington.

Thanks to them, the first law I signed after becoming President was a law to give people time off from work to care for a new baby or a sick relative at home, without fear of losing their jobs. That idea had been vetoed and rejected for years. We made it the law of the land in two weeks.

Nobody wants government on their backs, but everybody needs government by their side. Look around you. Look at the Central Artery, the downtown highway that's being moved underground. Look toward Logan Airport, where the third harbor tunnel is going to go. Look at Boston Harbor, where the clean-up effort is underway.

All of these things are going to have a massive impact on New England's regional economy. These projects are creating a total of 25,000 jobs over the next 8-10yrs, so your economy can run smoother and faster and create more jobs down the road.

In the four years before I became President, Massachusetts lost one-third of a million jobs. The mini-computer industry collapsed. Real-estate values fell. But since our administration took office, Massachusetts has seen 46,000 new jobs, low interest rates, and more attention from Washington to the kinds of things that are going to make you grow.

Every morning in the White House, I wake up and go to work for you. Some people in Washington tell me to slow down. They say, "Mr. President, don't try to do so much. Don't work yourself too hard." Well, let me tell you something. New England -- ever since the early days of its history -- never got ahead by taking the easy way out.

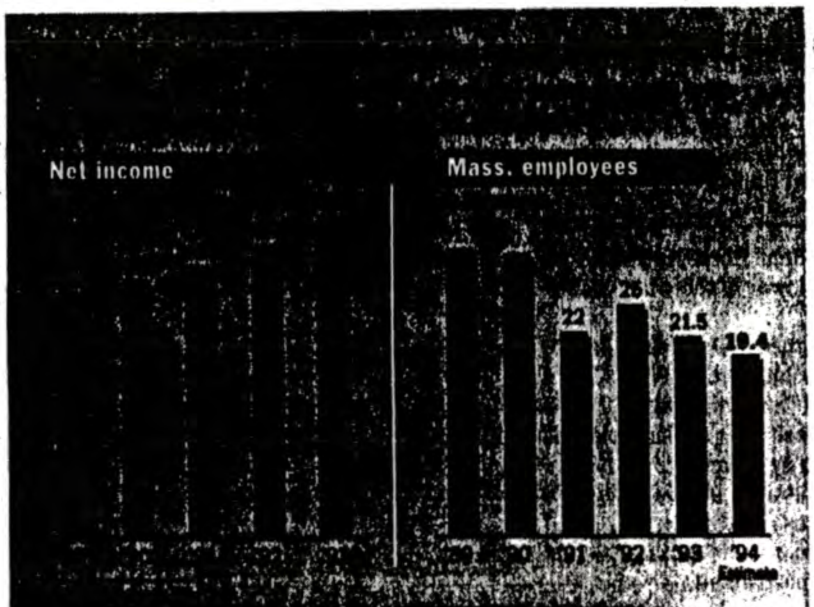
This great, historic city wasn't built by people who took it easy. Your colleges, and hospitals, and world-class software design firms weren't built by people who took it easy. All the immigrants who came here speaking Irish or Italian, Portuguese or Cambodian never got ahead by taking it easy. And I didn't go to Washington to take it easy either.

When I go back, I'm going to be thinking about you every day. Your jobs. Your schools. Your health care. The 21st Century is going to be an exciting time for Boston. You've got a thoughtful Mayor in Tom Menino. You've got good people in Washington. And you've got a friend in the White House giving you everything he's got.

Thank you, and God bless you all.

Raytheon to lay off 4,400

Overhaul will shut Lowell, Northborough, Norwood plants



GLOBE STAFF CHART

By Aaron Zitner
GLOBE STAFF

Defense cutbacks in the post-Cold War era claimed more New England jobs yesterday, as Raytheon Co. announced a major reorganization that will put 4,400 people out of work and will shutter plants in Lowell, Northborough, Norwood and Hudson, N.H.

Raytheon, the state's largest employer and builder of one of the world's best-known armaments, the Patriot missile, gave details of only 2,125 layoffs yesterday. Of those, 1,037 will come in Massachusetts, with 416 in New Hampshire and Rhode Island. Future cuts are also expected to hit New England hard.

The layoff announcement came two days after defense cutbacks caused Grumman Corp. of New York, once the leading builder of Navy warplanes, to give up its independence in a merger. The two events provided more evidence that the downturn in US military spending will leave defense contractors leaner and fewer in number, with New England feeling much of the pain.

Raytheon, based in Lexington, already laid off thousands as the military build-up of the 1980s drew to a close. Even while it picked up employees by buying companies, Raytheon's work force has dropped by 14,100 since 1989, or 18 percent.

Even so, yesterday's announcement was dramatic because of the number of layoffs, which equal 7 percent of Raytheon's work force,

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Raytheon to cut jobs, close plants

RAYTHEON

Continued from Page 1

and because the company for the first time in recent years will close plants, including a 600,000-square-foot missile factory in Lowell.

Employees at the Norwood electronic products plant said they had not been notified of who would lose their jobs. "Everybody's unsure of what they'll be doing and where they'll be," said Wayne Hancock, an 11-year employee from Clinton. "We're unsure day-by-day what will happen." [Story, page 43)]

In addition, Raytheon said it would take the first restructuring charge in its 72-year history, amounting to $162 million after taxes against first-quarter earnings.

Company officials and analysts said the layoffs are unrelated to an Army recommendation last month against buying the next generation of Patriot missile from Raytheon. That recommendation is under review by a Pentagon panel, which heard a presentation from Raytheon representatives yesterday.

Raytheon officials blamed the bulk of the layoffs on declining US military procurement budgets, which have fallen 64 percent since 1985. Two-thirds of the Raytheon layoffs will come from defense programs, with one-third coming from other product lines.

"This event comes at a time of transition for our company," said Elizabeth Allen, a Raytheon spokeswoman. "For many years, Raytheon has been primarily a defense contractor with some commercial businesses." Now, it is "a commercial company with a strong defense business."

Raytheon's nondefense products, which range from Amana ovens to Beech aircraft and D.C. Heath textbooks, account for 35 percent of profits, but officials want to boost that to 50 percent. Raytheon made $9.2 billion in sales last year.

The layoffs underscore a strange twist lately in the defense industry: While military contractors have laid off tens of thousands of employees, industry profits and stock prices are at recent highs. Companies are using the cash they save from payrolls to pay down debt and buy competitors.

Even as it announced its cutbacks yesterday, Raytheon said it expected sales and earnings in the current quarter to reach record levels, before the effect of the first-quarter charge is considered. The company's stock inched up 5/8 yesterday on the New York Stock Exchange, closing at 64 5/8.

"From a financial perspective, I'd say this is an unambiguous positive," Cai von Rumohr, a stock analyst with Cowen & Co. in Boston, said of the restructuring. "This will help their profits. Every single company in the industry has been doing this."

By one measure, private-sector defense employment in Massachusetts has fallen 18 percent since 1989, to 58,000 workers, said Yolanda Kodrzycki, senior economist at the Federal Reserve Bank of Boston. Over the same period, US defense prime contracts to Massachusetts firms fell to $5.9 billion from $8.8 billion, she said.

"Clearly, the defense sector is going to shrink for some time, but I think the worst is over," Kodrzycki said. "It's a seat-of-the-pants feeling, but I think we are half-way through."

Raytheon employs 63,500 worldwide and 21,500 in Massachusetts. It is the nation's seventh-largest defense company, and company officials took pains to say the company was committed to the defense industry.

However, it is charting its own path to survival.

While many other defense companies either are buying their rivals to gain market share, or are getting out of the industry, Raytheon is trying to hold its defense business steady. It bought a $1 billion engineering company last year and a commercial jet business, but it has not acquired a major defense company in recent years.

"Raytheon doesn't need to buy another defense company. They're big enough and have deep enough pockets as it is," said Larry Dickerson, an analyst with Forecast International, a defense research firm in Newtown, Conn.

Raytheon is one of the top three US missile makers and is already guaranteed defense work into the late 1990s. It has won recent contracts to build an upgraded version of the AMRAAM air-to-air missile and is competing to build the next generation of Sidewinder missile. Its Seasparrow, Standard and Patriot missiles are still in production.

And even if it loses the contract for the next generation of Patriot interceptor to Loral Vought Systems of Dallas, estimated to be worth $800 million over five years, Raytheon is expected to build ground-based command centers and other components of the Patriot.

But both US and foreign purchases are declining. Where Raytheon once sold 500 AMRAAMs a year, it is now selling about 350 a year, Dickerson said. Most of those are retrofitted versions of older rockets, he said, which require less labor than building a rocket from scratch.

Laid-off defense workers will have trouble finding new work in Raytheon even as it diversifies, some analysts said. The company acknowledges that its missile plants are not likely ever to make Amana ovens.

"Raytheon's strategy is to diversify through acquisition, so there is no net increase in employment on a nationwide scale," said Richard Bitzinger of the Defense Budget Project, a nonprofit research group in Washington. "It's a form of conversion, but it does not create new jobs," he said.

As part of its restructuring, Raytheon said it would consolidate all of its missile manufacturing business in New England into its Andover plant, where the Patriot and Hawk missiles are made. Allen, the Raytheon spokeswoman, said the company planned to sell the Lowell plant, which makes Sparrow, Sidewinder and AMRAAM missiles.

Raytheon will close a commercial marine products division in Hudson, N.H., and move its workers to a company-owned building in Manchester, N.H.. In other commercial businesses, Raytheon will consolidate some Beech Aircraft operations in Wichita, Kan., and will close a maintenance facility in Selma, Ala.

Contributing Reporter Alex Pham assisted in this report.

BOSTON GLOBE
3/10/94

Overhaul at Fleet will trim 3,000 jobs

By Kimberly Blanton
GLOBE STAFF

Fleet Financial Group Inc. is expected this week to announce that it will lay off up to 3,000 employees – more than 10 percent of its work force – as part of a top-to-bottom overhaul of the region's largest banking company.

The reorganization, the biggest in Fleet's history, is an ambitious effort to put the company in the vanguard of regional banks trying to combat competition from nonbank financial companies, such as mutual funds and independent mortgage companies.

The plan, called Fleet Focus, will address everything from slashing expenses to improving customer service and making products standard throughout the bank's branches in the Northeast, according to Fleet officials and bank analysts.

But the move by the Providence-based company adds yet another round of layoffs to a New England economy hit particularly hard by the corporate "downsizing" that is sweeping the country. The reorganization comes one month after the company was applauded for an $8 billion program, In City, that funnels money to inner-city development and homebuyers of modest means.

Fleet Focus, in contrast, contains harsh measures to please shareholders, rather than regulators or community activists.

"Because of the magnitude of the recession, we in the banking industry lost a couple years of growth and progress," Fleet's chief executive, Terrence Murray, said in an interview last week, explaining the reasons behind the cost cuts.

Costs cuts are again needed "to be competitive on a national or regional basis," Murray said.

"Large manufacturing companies did this 10

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Fleet will lay off 3,000 workers

FLEET

Continued from page 39

years ago. Financial companies did not. This will be the beginning of a trend," he said.

Gerard Cassidy, a bank analyst with Hancock Institutional Equity Services in Boston, estimates Fleet will eventually save about $200 million a year and lay off between 3,000 and 4,000 employees.

Murray indicated a range of layoffs between 2,000 and 3,000 employees and would not elaborate. But the total number of jobs eliminated could be much higher if an August hiring freeze and attrition are counted. Layoffs are expected to be limited to the 22,000 employees of Fleet's bank franchise in New England and New York. Fleet employs 4,500 in Massachusetts and 27,500 nationwide.

Fleet spokesman Thomas Lavelle declined to comment on specifics of the reorganization. When the company announced its plans last summer, it said results would be released in mid-March.

Unlike struggling companies laying off employees to survive, Fleet deals from a position of strength. The company posted record earnings of $488 million profit in 1993, up 74 percent from 1992.

"It's really a re-engineering process and not just a standard elimination of X number of employees," said Sally Pope Davis, a bank analyst at Goldman, Sachs & Co. in New York.

"The whole organization has been immersed in really looking at the way the bank operates and trying to be more efficient," Davis said. "You're going to see more and more banks do this." Fleet is not alone. Bank of Boston Corp. in October announced a streamlining of its structure and the elimination of three top executives in an effort to boost its presence locally and in consumer banking.

Fleet also has customers in mind.

One survey by Fleet found that its customers said service was "mediocre." Fleet's plan, which will be put in place over the next year, is expected to standardize bank products, which can vary from branch to branch.

"You don't want to use the word 'McBanking,'" said Hancock's Cassidy. But "the large regionals need to be efficient and uniform in their product delivery systems. That is driving the re-engineering."

"As an investor, if you own Fleet stock, you should view this very favorably," he said.

Fleet's stock closed yesterday at 34⅞, up ½, on the New York Stock Exchange. That is down from a 52-week high of 37⅛ hit last March, and Fleet officials are eager to boost the stock price. Otherwise, analysts say, even Fleet could be vulnerable to a takeover from a bank outside the region whose higher stock price would give it a currency to make the acquisition.

Murray said the plan prepares Fleet "for the next wave of bank consolidation."

"The question is whether there are going to be one or two or three New England [banks]," he said. "This is one of the things that has been on my mind."

Murray said the plan grew out of a "bottom-up" cost analysis, begun seven months ago, to find ways to make Fleet more efficient as the industry enters a phase of mergers and competitive interstate banking. A 50-person task force combed through 35,000 suggestions from employees and results of customer surveys for the best ideas, he said.

The bank's target efficiency ratio – the cost of expense for every dollar of revenue generated – is 60 percent. In 1993, it was 67 percent.

The reorganization may pave the way for Fleet to again buy smaller New England banks. Although Fleet last fall announced an agreement with Sterling Bancshares, it has been less of a player in the takeover market than Shawmut National Corp. and others.

Fleet itself is the product of mergers, including the Fleet-Norstar Bancorp merger in 1987 and the 1991 federally assisted takeover of Bank of New England. Murray said the bank "piled on a lot of overhead" in part to work out Bank of New England's loan problems.

After the BNE deal, Fleet laid off about 2,000 employees.

Weld underwhelms radio's Imus

By Frank Phillips
GLOBE STAFF

Gov. Weld went one-on-one with Don Imus yesterday, but his policy-paper performance didn't play well with the New York radio talk jock's satirical format.

Most of the 10-minute interview was taken up with talk about the value of the death penalty, a critique of the Clinton health care plan, the impact of the president's tax hikes and how to get welfare recipients off the rolls.

But the W-Man didn't impress the I-Man.

After the interview, Imus trashed the Massachusetts governor for being so dull. He and some of his guests, including the Globe's Mike Barnicle, sarcastically referred to Weld's boring interview.

"There's somebody who's not going to be president of the United States," Imus told his listeners.

Even Weld aides thought their boss missed a good opportunity to banter with Imus, who has helped launch a number of political careers, including Clinton's.

GOV. WELD
Missed opportunity to banter

DON IMUS
Calls Mass. governor "dull"

Officially, Weld's aides tried to shrug off their boss' national radio debut. "It was 7:30 in the morning. What do you expect?" quipped Ginny Buckingham, Weld's press secretary.

Some of the fault has to lie with the show's host. Imus missed some of Weld's more eccentric and quirky sides, such as his wild boar hunting escapades and his well-publicized attendance at Grateful Dead concerts.

Moreover, Imus, whose popular show is picked up by stations across the country, including WEEI-AM in Boston, flubbed it when he tried to get Weld to talk about some of the governor's more embarrassing moments.

Imus suggested it was Weld who had been picked up for drunk driving after playing poker at another person's home.

"No, no, not me. Somebody else," Weld quickly protested. Actually, it was Ronald Kaufman, former White House political director for former President George Bush, who a year ago was picked up and charged with drunken driving after leaving Weld's Cambridge home following a night of poker playing. He later pleaded guilty to the charges.

Weld also demonstrated a little fast shuffling. When Imus pressed him on Clinton's problems with the Whitewater affair and the death of his aide, Vincent Foster, Weld, a former federal prosecutor, acted with all the prosecutorial dignity he could muster.

"One thing I did absorb as a prosecutor is not to speculate," said Weld – who only last spring predicted his one-time supporter, Peter Cook, was about to be indicted by a federal grand jury for making illegal campaign donations to him. Nearly a year later, Cook has yet to be charged.

Weld, Clinton allies claim credit for recovery

By Scot Lehigh
GLOBE STAFF

Yesterday's good news on jobs set off a tug of war for that most precious product of a recovering economy: political credit.

At a morning press conference, Lt. Gov. Paul Cellucci said a sizable share of the kudos for the state's 6.4 percent unemployment rate – down from a high of 9.6 percent in May 1991 and 7.2 percent last month – belonged to the Weld administration.

"We were in a real hole, and I think a lot of things that we have done have helped," said Cellucci, citing in particular the administration's efforts to cut taxes, restore fiscal stability and curb workers' compensation costs for business.

But in Washington, where President Clinton's allies are still marveling over the 7.5 percent economic growth rate recorded in the last quarter of 1993, Democrats were quick to point out that the rising tide lifting the USS Massachusetts is part of a larger national economic ocean.

"Massachusetts is a state that is part of a country, and when you have a healthy national economy it helps everybody," said Democratic National Committee spokeswoman Kiki Moore. "Gov. Weld is lucky to have a president who is leading a good economic effort that's helpful in his own state."

While partisans may tussle over the political spoils, political experts say the key to getting credit is less a matter of party than positioning: Regardless of their stripes, political incumbents tend to benefit when the economy is working well.

"You get credit or blame for everything that happens on your watch, whether you are entitled to it or not, and with the economy, you are usually not," said Stephen Hess, a senior fellow in government studies at the Brookings Institution in Washington.

"In some ways they deserve the credit, because they sure get enough blame," he said.

But that same dynamic can cause a governor to change his tune in a hurry. With the state's economy soaring to dizzying new heights, Gov. Michael S. Dukakis spent the first two years of his last term arguing that he was a economic miracle worker – a claim that buoyed his presidential campaign, if not his credibility with economists.

But during his final two years, with Massachusetts shedding jobs like a maple losing leaves in an autumn gale, Dukakis was left to argue that the state's woes weren't his fault, but rather part of the larger economic downturn afflicting the entire country.

THE WHITE HOUSE

WASHINGTON

March 14, 1994

MEETING WITH TEACHING HOSPITAL CEOS AND MEDICAL SCHOOL DEANS

DATE:	**March 14, 1994**
TIME:	**6:15 – 7:00 pm**
LOCATION:	**Boston, Massachusetts**
FROM:	**Lynn Margherio**

I. PURPOSE

This private meeting with nationally known and respected leaders in academic medicine will convey your commitment to preserving the critical role of teaching hospitals and medical schools in health reform. These leaders will publicly praise the President's health plan in a press event arranged by Senator Kennedy's office before the meeting.

II. BACKGROUND

In late January, Ira Magaziner met with many in this group to discuss their policy concerns. Following this meeting, Dr. Buchanan sent a supportive letter to the Boston Globe. The following week, leading White House staff briefed the Massachusetts Hospital Association on a series of issues, including health care.

The Boston academic medical community supports the President's health plan and the principles in the Health Security Act:

- Universal coverage
- Comprehensive benefits
- Insurance reforms
- Focus on primary care
- All–payer pools to support graduate medical education

They will voice this support at the meeting. Also, they have some concerns which they will raise.

Cost Problems

The medical education and research functions carried out by teaching hospitals make their costs of operation average 25–30% higher than community hospitals. Historically, they have been able to fund these extra costs through special Medicare reimbursements – – Direct Medical Education (DME) and Indirect Medical Education (IME) payments – – which fund residencies and associated teaching overheads. They also have charged private sector payers, particularly fee–for–service plans, higher rates.

In markets where employers have aggressively moved their employees into lower–cost managed care plans, teaching hospitals have watched their price premium erode. Some have been shut out of contracts with managed care plans who save money by funneling patients only to the lowest–priced hospitals.

In the absence of health reform, we anticipate that these trends would accelerate and these institutions would find it more difficult to compete.

Under the Health Security Act, both private and public health care spending will eventually rise more slowly than under the status quo. In order to remain competitive, teaching hospitals will have to curtail their cost growth.

To help defray the extra costs incurred by teaching hospitals and medical schools for training and research, the Health Security Act establishes two all–payer pools: the Health Professions Workforce Account, funded at $5.8 billion in FY 2000; and the Academic Health Center account, funded at $3.8 billion in FY 2000. Combined, these two pools represent an increase over current projected funding through the Medicare program.

The teaching hospitals and medical school deans support the creation of these pools but are concerned that they are not large enough to enable them to compete in an increasingly managed care environment.

In addition, medical school deans have argued for the creation of a third fund of $600 million per year to support medical education. They claim that hidden subsidies now provided by physicians who teach for low pay will erode in a new competitive environment. They also have been hurt by the reduction in overhead rates in federally funded research which occurred in last year's budget.

The White House health policy team is supportive of increasing funds for academic health centers and the creation of a third fund for medical schools. We believe that these concerns can be met in the Congressional process.

Distribution of funds

Historically, the vast majority of residency training has occurred in teaching hospitals. Consistent with the emphasis on prevention and primary care, the Health Security Act allows institutions other than teaching hospitals to apply for funds for residencies, such as community health centers and community hospitals. The teaching hospitals are concerned about this increased competition.

The Health Security Act also directs funds to program managers rather than the institution in which the program is located. Teaching hospital CEOs want to keep control for themselves.

The deans and the teaching hospitals are at odds about whether a teaching hospital has to be affiliated with a medical school to receive funds. The Health Security Act does not require a formal affiliation. Senator Mitchell and many other members of Congress from states without medical schools want it this way.

These issues will be debated in the Congressional process. The White House health policy team does not have strong opinions on them.

Allocation of training slots and transition to new primary care emphasis

The Boston group supports the national allocation of residency slots established under the Health Security Act.

The Health Security Act calls for the percentage of primary care residents to specialist residents to reach 55/45 by 1998. The academic CEOs and deans believe that this schedule is too ambitious, and that 2001 is a more realistic schedule. (Note: in our September 7 draft, the reallocation did not occur until 2002. We changed this provision to accommodate Sen. Rockefeller and Rep. Waxman.)

The Health Security Act provides transition payments to institutions that lose specialty training slots due to the new emphasis on primary care residencies. They believe that these transition payments should be triggered earlier and should be increased.

The academic health centers are likely to succeed in the Congressional process in bringing the final bill closer to the White House policy group's original proposals.

Regional Referrals

The Health Security Act requires that health plans enter into sufficient contracts with eligible academic health centers to ensure that enrollees in alliance health plans have access to academic health services including: specialized treatment expertise related to rare diseases, unusually severe conditions and other specialized health care. The Boston group would like to see wording that broadens the conditions under which health plans would have to contract with them.

The White House policy team believes that we give them enough protection, but would not oppose some strengthening of the provisions.

Biomedical Research

Massachusetts medical schools and teaching hospitals receive close to \$300 million of NIH research grants each year.

The Health Security Act proposes approximately \$500 million of additional funding each year to the NIH for prevention research. Additional funds are targeted to health services research. In the 1995 budget proposal, the Administration calls for a 4.7% increase in NIH funding overall.

The Boston group supports these increases but would like to include language to dedicate a portion of all health premiums to a biomedical research fund as a supplement to the annual NIH appropriation. (Senator Harkin has made this proposal.)

The research community has been operating under revised OMB regulations which limit reimbursements for the administrative portion of the indirect cost of research to 26%. Some Boston teaching hospitals have historically added on as much as 100%. Though the Health Security Act does not curtail overhead any further, they are concerned that future proposals will further cut their indirect funding.

The Health Security Act supports increased NIH funding. Biomedical research will continue to get priority and the White House health policy team does not intend to propose further cuts in research overhead. We have not taken a position on Harkin's proposal but have indicated that we would be generally supportive of increased R&D if Congress proposes it.

Clinical Trials

The Health Security Act benefits package covers the costs of routine care associated with participation in clinical trials. As institutions which sponsor clinical trials, they are concerned that the use of experimental procedures as part of patient care not disqualify their patients from reimbursement for the non-experimental portions of that care. We believe our language covers this but are willing to look at their suggested language to give them greater comfort on this issue.

III. PARTICIPANTS

Mitchell T. Rabkin, M.D., President, Beth Israel Hospital

J. Scott Abercrombie, Jr., M.D., President, CEO, Boston University Medical Center

H. Richard Nesson, M.D., President, Brigham & Women's Hospital

David S. Weiner, President, Children's Hospital

Elaine S. Ullian, President, Faulkner Hospital (New President of Boston University Medical Center as of 4/1/94)

J. Robert Buchanan, M.D., General Director, Massachusetts General Hospital

Samuel O. Thier, M.D., General Director, Massachusetts General Hospital (as of 6/1/94)

Theodore J. Druhot, President, St. Elizabeth's Hospital of Boston

Aaron Lazare, M.D., Chancellor/Dean, University of Massachusetts Medical Center

Aram V. Chobanian, M.D., Dean, Boston University School of Medicine

Daniel C. Tosteson, M.D., Dean, Harvard Medical School

Morton A. Madoff, M.D., Dean, Tufts University School of Medicine

Stephen J. Hegarty, President, Massachusetts Hospital Association

Martha L. Casey, O'Neill & Athy (public relations firm for the teaching hospitals)

<u>Congressional delegation</u>

Senator Edward M. Kennedy
Senator John F. Kerry
Rep. Joseph P. Kennedy
Rep. Joe Moakley
Rep. Edward J. Markey
Rep. John Olver
Rep. Marty Meehan
Rep. Gerry E. Studds
Nick Littlefield, Staff Director, Committee on Labor and Human Resources, U.S. Senate
David Nexon, Health Policy Office Staff Director, Committee on Labor and Human Resources, U.S. Senate

<u>Administration staff</u>

Philip Lee, MD, Assistant Secretary of Health, US DHHS
Lynn Margherio, Domestic Policy Council

IV. PRESS PLAN

Closed to press.

V. SEQUENCE OF EVENTS

- You will enter the Garden Suite where the teaching hospital CEOs and medical school deans will already be seated and will have just concluded a pre–meeting in preparation for your arrival.

- Senator Kennedy will introduce you to the participants.

- You will make brief introductory remarks.

- Drs. Rabkin and Buchanan will represent the rest of the teaching hospitals in brief remarks.

- Others may offer comments or have questions.

- You proceed to hold for the fundraiser.

VI. REMARKS

Acknowledgements

- Thank you for coming on such short notice. I know that many of you have cancelled travel plans to be here and have postponed other engagements. I particularly appreciate Drs. Buchanan, Nesson and Thier (pronounced Theer) being here. I know they will be late in joining their board meeting about the merger of Massachusetts General and Brigham & Women's Hospitals.

- Ira Magaziner has informed me of your meeting at the end of January. He found your suggestions to be insightful and helpful. We intend to be responsive to them.

- I am particularly appreciative of the support you have shown for the Health Security Act, and for the letter Dr. Buchanan sent in response to the Boston Globe article that misrepresented your views.

Importance of academic medicine

- The strength and leadership of America's academic health centers make America the world leader in high-quality health care. I have a deep personal commitment that institutions like yours flourish under health reform.

- I understand that the advent of managed care has already placed tremendous pressure on your institutions. It's my personal hope that the Health Security Act will enable high-quality institutions like yours to compete effectively in this ever-changing environment.

- That is why we set aside special all–payer funds to be directed to academic health centers. That is why we require health plans to contract with academic health centers. That is why we increase NIH funding. The Health Security Act is the only bill that's seriously being considered which has these provisions.

- I understand that some of you have concerns that these measures may not be sufficient. I'd like to hear about your concerns and continue a dialogue with you throughout the upcoming months. We want to be sure that the final bill adequately supports your needs.

- As chair of one of the key committees responsible for health reform, Senator Kennedy will play a leadership role in representing your concerns. You should work through the Senator and the rest of the delegation, all of whom are major players in the health care reform debate.

- Now I'd like to hear from you directly.

THE BOSTON GLOBE • TUESDAY, FEBRUARY 1, 1994

Letters to the Editor

Teaching hospitals back Clinton's health plan

Last week, the heads of Massachusetts' teaching hospitals met with our congressional delegation, committee leaders and members of the Clinton administration to explain our concerns about how the administration's proposed health care reform bill would affect our institutions and to ask for help as Congress moves toward our mutual goal of health care reform.

I was perplexed to learn from the Globe (Jan. 27) that our institutions were in Washington to "decry reform bill." I cannot think of a more inaccurate assessment of our message. It is disheartening that expressing concerns honestly and in good faith can be characterized as opposition.

Let me be very clear. Massachusetts' teaching hospitals support the president's plan. We believe it is a crisis that 37 million Americans do not have access to quality, affordable health care. We believe that the number of primary care physicians must be increased. We believe that the insurance system is broken and must be fixed. In short, we support the president's plan and urge its speedy enactment.

We strongly support the aim of the administration's Graduated Medical Education provisions, which provide a separate pool of funds to support GME. This recognizes that GME serves a national need and is appropriately paid for by everyone. Do we support every aspect of the president's plan? Of course not. But we are aware that change is inevitable. Of the reform plans before Congress, the president's is the best for teaching hospitals and academic medical center.

As we work with Congress and the administration, we will focus on our areas of agreement. We have come too far, through the tireless efforts of Sen. Edward Kennedy and the cooperation of the White House, to play into the hands of reform opponents who highlight our differences. Now that we have a president with the courage to lead, Massachusetts teaching hospitals will follow.

J. ROBERT BUCHANAN, MD
General director
Massachusetts General Hospital
Boston

THE WHITE HOUSE

WASHINGTON

March 11, 1994

VIP RECEPTION FOR DNC NEW ENGLAND PRESIDENTIAL DINNER

Date:	**March 12, 1994**
Location:	**Boston Park Plaza Hotel**
	Berkely Room
Time:	**7:30 p.m. - 8:15 p.m.**
From:	**Reta J. Lewis, Political Affairs**

I. PURPOSE

You will meet with the event hosts and chairs, as well as approximately 100 New England financial and political supporters of the DNC during a pre-dinner reception for the Presidential Dinner.

II. BACKGROUND

The Event Chairs and Dinner Chairs will meet privately with you prior to a photo opportunity with pre-dinner reception participants. The Event Chairs have raised or written a minimum of $150,000 for this event, and the Dinner Chairs have raised or written a minimum of $100,000. Included in the private meeting will be Alan Levanthal and Fred Seigal of the Beacon Companies, who coordinated this event. The participants in the pre-dinner reception have written or raised a minimum of $25,000 for the dinner.

Note: As one of the Event Chairs, Paul Montrone raised over $150,000 for this event. Unfortunately, he will not be able to attend due to business commitments.

III. PARTICIPANTS

See attached list.

IV. PRESS PLAN

Closed press.

V. SEQUENCE OF EVENTS

-You will arrive and greet the Event Chairs and Dinner Chairs for approximately 10 minutes.

-At approximately 7:40 p.m., you will be joined by pre-dinner reception participants for a brief photo opportunity.

-Following the photo opportunity, you will depart for the Ballroom holding area with Chairman David Wilhelm at approximately 8:15 p.m..

VI. REMARKS

No remarks necessary.

Event Chairs & Dinner Chairs Private Reception
March 14, 1994

Arthur Coia	President, Laborer's International Union, Providence, R.I., DNC Managing Trustee
Armand Sabatoni	Mgr, Laborer's International Union, Providence RI
Skip & Carol Hayward	Tribal Chairperson, Mashantucket Pequiot Gaming Enterprise
Alan & Carol Leventhal	Managing Partner, The Beacon Companies, real estate development, DNC Vice Chair, Finance
Elaine & Gerald Schuster	President, Continental Wingate, real estate development, Elaine is an event chair and DNC Managing Trustee
Fred & Donna Seigel	President, Beacon Energy Company, DNC Vice Chair, Finance
Alan Solomont & Susan Lewis	President & CEO, ADS Group, DNC Managing Trustee, management development and consulting services to nursing homes and senior citizen services

Clinton Private Reception
3/14/94

Susan Bailis	Vice President, ADS Group, management development and consulting services to nursing homes and senior citizen services
John Battaglino & Beth Bradley	President, JLB Management, residential mgmt.
Jim Brenner	Vice President, Aldrich Eastman & Waltch, real estate finance
Howard Cohen & Ken Schwartz	attorneys, Mintz Levin Cohn, Glovsky & Popeo
Arthur Coia	President, Laborer's International Union, Providence, RI, DNC Managing Trustee
Jack Connors	President, Hill Holiday advertising
Robert Crowe	Attorney, Crowe, Crowe & Vernaglia
Ray Shepard & Kathy	Editorial Director for Houghton Mifflin's school division, one of the largest text book publishers in the U.S.
Jim Dillon	Attorney, Goodwin Proctor & Hoar
Tom Dwyer	Attorney, Dwyer Collora
Steve Elmont	President, National Restaurant Association
Wes Finch	CEO, The Finch Group, prominent Boston real estate developer
Robert Fraser	Attorney, Goodwin Proctor & Hoar
Chuck & Felicia Gervais	prominent national real estate developers
Tom Glynn & Anne Bear	Deputy Secretary of Labor
Jean & Morris Goldings	Attorney, Mahoney Hawkes & Goldings
Arthur Halleran	CEO, First Winthrop Corp., real estate development and hotel owner
Tony Harwood & Maria	President, Equitable Real Estate
Ted Hoff	President, Center for Executive Development
Ira Jackson	Vice President, Bank of Boston

Ramesh Kapur	President, Medical Technical Gases
Mr. & Mrs. Mitchell Kertzman	CEO, Powersoft Corp., high technology development
Joanna Lau	President, Lau Technologies, military and commercial electronic designer and manufacturer
Tom Lee, Ann Tennenbaum & Robert Lee	CEO, Thomas H. Lee Company, investment banking and money management
Alan & Carol Leventhal	Managing Partner, The Beacon Companies, real estate development, DNC Vice Chair, Finance
Mark & Donna Leventhal	Partner, The Beacon Companies
Norman Leventhal	Chairman, The Beacon Companies
Pat Lyons	President, The Lyons Group, restauranteur
Jack Manning	CEO, Boston Capital Partners, Inc., DNC Managing Trustee
Sheryl Marshall	Partner, Donaldson Lufkin & Jenrette, investment banker
John McGuire	Attorney, McGuire & McGuire
Mayor Thomas Menino	Mayor of Boston
David Muller	President, Summit Technologies, surgical laser manufacturer
John & Judy Myers	General Electric Investment
John O'Herren	Lazard Freres, investment banker
Joe Paolino	Director, Rhode Island Office of Economic Affairs
Harry & Jacquelyn Pierandri	Equitable Real Estate
Bill Poorvu	Professor, Harvard Business School, adjunct professor of entrepreneurship
Myrna Putziger	Attorney, Rubin & Rudman
John & Francine Sasso	Advanced Strategies, public relations
Elaine & Gerry Schuster	President, Continental Wingate, real estate development, Elaine is an event chair and DNC Managing Trustee
Carol Schwartz	Social Worker, was very active in the campaign raising grass roots money

Fred & Donna Seigel	President, Beacon Energy Company, DNC Vice Chair, Finance
Betty Seigel	mother of Fred Seigel
Ed & Paula Sidman	Managing Partner, The Beacon Companies
Fred & Gilda Slifka	CEO, Global Petroleum Oil
Alan Solomont & Susan Lewis	President & CEO, ADS Group, DNC Managing Trustee, management development and consulting services to nursing homes and senior citizen services
Scott Sperling	Aeneas Group, manages the Harvard endowment
Lawrence Uchill	Attorney, Rubin & Rudman
Phil & Linda Ward	Managing Director, CIGNA
Barry White	Managing Partner, Foley Hoag & Eliot

THE WHITE HOUSE

WASHINGTON

March 11, 1994

DNC NEW ENGLAND PRESIDENTIAL DINNER

Date:	**March 12, 1994**
Location:	**Boston Park Plaza Hotel** **The Imperial Ballroom**
Time:	**8:25 p.m. - 9:25 p.m.**
From:	**Reta J. Lewis, Political Affairs**

I. PURPOSE

You will participate in the DNC's New England Presidential Dinner Fundraiser.

II. BACKGROUND

The DNC has worked with supporters in the states of Massachusetts, Rhode Island, Maine, Vermont and Connecticut in organizing the New England Presidential Dinner. The event is expected to raise approximately $1.2 million for the DNC. The Democratic congressional members from each of the six states were invited to attend as guests of Chairman David Wilhelm.

Congressional members in attendance will include Senators Kennedy and Kerry and Representatives Olver, Meehan, Markey, Moakly and Kennedy of Massachusetts. Boston Mayor Thomas Menino will also attend.

III. PARTICIPANTS

See attached list of dinner table guests.

IV. PRESS PLAN

Open press.

V. SEQUENCE OF EVENTS

-You will be announced into the Imperial Ballroom accompanied by Chairman David Wilhelm.

-You will sit briefly with a group of event chairs and dinner chairs prior to the start of the program.

-Performer Lea Salonga ("Miss Saigon") will sing *A Whole New World*.

-Alan Leventhal introduces Chairman Wilhelm.

-Chairman Wilhelm makes welcoming remarks and introduces Senator Kerry.

-Senator Kerry makes remarks and introduces Senator Kennedy.

-Senator Kennedy makes remarks and introduces Mayor Menino.

-Mayor Menino makes remarks and introduces you.

-You will make remarks and then depart.

VI. REMARKS

Prepared by Speechwriting.

New England Presidential Dinner
Boston Park Plaza Hotel

The President's Table
(as of 3/11/94)

Elaine and Gerry Schuster	President - Continental Wingate, real estate development, Elaine is an event chair and DNC Managing Trustee
Alan Solomont - Susan Lewis	President and CEO, ADS Group, DNC Managing Trustee, management development and consulting services to nursing homes and senior citizens
Jack and Lyle Manning	CEO, Boston Capital Partners, Inc., DNC Managing Trustee
Arthur Coia	President, Laborer's International Union, Providence, RI, DNC Managing Trustee
Armend Sabitoni	Arthur Coia's guest, manager Laborers International Union
Mayor and Angela Menino	Mayor of the City of Boston

Remarks for New England Presidential Dinner
will be forwarded

THE WHITE HOUSE

WASHINGTON

~~CONFIDENTIAL~~

March 11, 1994

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: NM DATE: 7/11/19

2019-0546-S

MEMORANDUM FOR THE PRESIDENT

FROM: Reta J. Lewis, Political Affairs

RE: Political Briefing--Boston, Massachusetts

1992 PRESIDENTIAL ELECTION RESULTS

	Boston	Massachusetts
Clinton	62.0%	48.0%
Bush	23.0%	29.0%
Perot	14.0%	23.0%

POLITICAL OVERVIEW

1994 Gubernatorial Race. Republican Governor William Weld was elected in 1990 with 50 percent of the vote in a tight race against Democrat John Silber and a relatively unknown independent. Weld remains in a strong position heading into the 1994 election with a favorable/unfavorable rating of approximately 62 percent/30 percent. Weld and Lt. Governor Paul Cellucci officially kicked off their respective campaigns on Wednesday, March 9th with a rally in Boston. During his remarks, Weld called for a $270 million tax cut, which would enable him to "give back $100 to each taxpayer" and "pump up" consumer spending. Weld and Cellucci also held rallies in Springfield, Werchester and Dartmouth. Weld has raised approximately $1.7 million for his 1994 campaign. The Boston press has speculated that if re-elected, Weld may leave office in 1996 in order to make a bid for the Presidency or Vice Presidency.

State Legislator Mark Roosevelt, grandson of Teddy Roosevelt, will seek the Democratic nomination, running on a progressive platform appealing to the gay community, environmentalists and abortion rights groups. State Senator Michael Barrett has also announced his candidacy. Barrett can rely on the support of former Massachusetts Chair Steve Grossman, while Roosevelt has the backing of former DNC Chair Paul Kirk. Congressman Joe Kennedy is still rumored to be considering a gubernatorial bid, although these rumors have not been substantiated by Kennedy or his staff.

In addition, former-Boston mayor and current U.S. Ambassador to the Vatican Ray Flynn may vacate his post to seek the Democratic nomination. According to recent articles in The Boston Globe, Flynn recently sought a part-time teaching position at Northeastern University as a means of supporting himself during his gubernatorial campaign. Furthermore, a major set-back for Flynn's candidacy may be the embezzlement of as much as $240,000 by a campaign aide from the Flynn campaign accounts. Flynn aide Douglas deRusha allegedly forged checks to himself from the campaign accounts for over a year, listing phony payments to vendors and credit cards as a cover-up. Flynn is now reported to have approximately $370,000 cash on hand for his 1994 campaign, as opposed to the $497,973 reported at the end of 1993. The investigation into Flynn's campaign spending has also led to a series of stories regarding questionable campaign spending by Flynn during his tenure as Ambassador to the Vatican.

A poll conducted by The Boston Globe this week indicates that roughly 63 percent of Boston voters feel that Flynn should "stay in Rome as Ambassador to the Vatican and not run for governor." The poll also shows a net-negative rating of Flynn in Boston of 35 percent "favorable" to 41 percent "unfavorable." In the same poll of 435 voters, the rating of Governor Weld was "favorable" by 41 percent of the voters and "unfavorable" by 30 percent of the voters. A January poll conducted by Opinion Dynamics Research of Cambridge showed Flynn with a 56 percent "favorable" rating and a 27 percent "unfavorable" rating.

Note: The most recent news reports indicate that Flynn will remain in Rome at the suggestion of the State Department. Flynn was scheduled for an 11-day visit to the United States, which would include stops in New York, Miami, Providence, Holyoke and Boston.

The 1990 Democratic nominee and Boston University President John Silber "is taking a serious look at running for governor again" as an Independent. Running as an Independent would "spare him a primary fight and set up a three-way race where a liberal Democrat might draw suburbanite liberals away from Governor Weld."

Regardless of the party nominees, the economy will be a key issue during the 1994 gubernatorial race. A new report by the State University of New York found that Massachusetts lost the highest percentage of jobs (12.4 percent) during the recession, and is one of only seven states not having experienced significant job growth since its economic low point. Governor Weld's economic record still lags behind the worst of months of former Governor Michael Dukakis' last term in office.

1994 Senate Race. Senator Ted Kennedy is not expected to face stiff competition in his 1994 re-election bid. His job performance and favorability ratings have regained strength in the last year, with his job rating remaining around 62 percent "excellent/good" in recent months.

The Republican Party is having difficulty attracting a high profile candidate to run against Kennedy. Former Secretary of Transportation Andy Card, who many believed had the best chance of unseating Kennedy, announced in 1993 that he will not seek the GOP nomination. Announced candidates for the GOP nomination include radio talk show host Janet Jeghelian and Boston businessman Mitt Romney, son of former Michigan Governor George Romney. Jeghelian, who many consider the most legitimate opponent to-date, has begun alluding to Kennedy's "tarnished image from his former bachelor lifestyle" and has stated that his background will be one of his campaign issues. Jeghelian also launched a radio ad in early December "accusing Senator Kennedy of using the national health care program as a re-election prop." Both Jeghelian and Romney registered themselves as Republicans only a few months ago, after learning they had to be GOP members to win their party's gubernatorial nomination.

Jeghelian is pro-choice and expects support from traditional women's groups. She has set her fundraising goal at approximately $4 million. She raised only $50,000 in 1993. Romney has said that he will spend up to $2 million of his own money for his campaign efforts, and has raised approximately $265,000 to-date. Senator Kennedy has been working hard to bolster his personal image and has raised a tremendous amount of money. He currently has a campaign treasury of more than $3 million, nearly two-thirds of which comes from sources outside the state. Kennedy announced that he is not accepting any PAC money for his 1994 campaign.

BOSTON MAYOR THOMAS MENINO

Mayor Thomas Menino defeated State Representative James Brett by a wide margin in the November Boston mayoral runoff. Menino, the city's first Italian-American mayor, received 64 percent of the vote in the November runoff election against state Representative James Brett, who received 36 percent of the vote. Menino previously served as the Boston City Council President, and as Acting Mayor following the resignation of former Mayor Flynn. A recent Boston Globe poll shows Menino with a 52 percent "favorable" rating among Boston voters, compared to a 12 percent "unfavorable" rating and 35 percent "neutral" rating.

CONGRESSIONAL DELEGATION

U.S. Senator Ted Kennedy (D). Senator Kennedy is a member of the Armed Services; Judiciary; and Joint Economic Committees. He also serves as Chair of the Labor & Human Resources Committee.

U.S. Senator John Kerry (D). Senator Kerry is a member of the Banking, Housing & Urban Affairs; Commerce, Science, & Transportation; Foreign Relations; Small Business; and Select Intelligence Committees. He will face re-election in 1996.

The Members of Congress in Massachusetts are:

John Olver (D)	Richard Neal (D)
Peter Blute (R)	Barney Frank (D)
Marty Meehan (D)	Peter Torkildsen (R)
Edward Markey (D)	Joseph Kennedy, II (D)
Joseph Moakley (D)	Gerry Studds (D)

1994 ELECTIONS -- POTENTIALLY MARGINAL CONGRESSIONAL SEATS

John Olver (CD1). The NCEC has rated the 1st congressional district *Potentially Marginal/Leaning Democratic*. Oliver currently has no serious opposition to his re-election bid.

Peter Blute (CD3). The NCEC has rated the 3rd congressional district *Marginal*. The primary battle for the 3rd district will include Moakley aide James McGovern, state Representative Kevin O'Sullivan, physician John Walsh and Oxfam America's James Arena DeRosa.

Martin Meehan (CD5). The NCEC has rated the 5th congressional district *Potentially Marginal/Leaning Democratic*. Meehan currently has no announced competition for his seat.

Peter Torkildsen (CD6). The NCEC has rated the 6th congressional district *Marginal*. The Democratic primary race for the 6th district will include state Representative Jeff Hayward, former state Senator Nick Costello and attorney John Tierney.

Edward Markey (CD7). While Markey represents a solidly Democratic district, he will face Republican opposition from former prosecutor Brad Bailey.

CABINET ACTIVITY FOR PRESIDENTIAL DINNER

On Friday, March 11th, Secretary Cisneros participated in a brief meeting with key supporters of the New England Presidential Dinner. In addition, Secretary O'Leary will participate in a breakfast with other key supporters of the dinner on Thursday, March 17th.

THE WHITE HOUSE

WASHINGTON

March 11, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: Paul Deegan

SUBJECT: Background Information for Visit to Massachusetts

This memorandum presents background information about current conditions and issues in Massachusetts.

I. PRESSING ISSUES IN MASSACHUSETTS

- *Budget Highlights* -- In FY1993, federal obligations to Massachusetts were $4,977,029,000. Your FY1995 budget calls for $5,400,302,000 -- an increase of $423,276,000. (Source: OMB)

Program (all amounts in Thousand $)	FY93	FY95*	Net increase
Medicaid	$2,010,150	$2,413,886	$403,736
Highway Planning & Construction	$944,147	$1,077,601	$133,454
Emp. & Trng Asstnc. Dislocated Workers	$15,777	$36,250	$20,473
WIC	$46,690	$58,758	$12,068
Head Start	$49,615	$69,646	$20,031
National School Lunch Program	$57,465	$62,569	$5,104
Fed. Transit Capital & Operating Grants	$64,960	$104,555	$39,595
Fed. Transit Capital Improvement Grants	$37,963	$53,700	$15,737

*estimated

- ***Balanced Budget Amendment*** -- Please see attached backgrounder from Treasury.

- ***DRI/McGraw-Hill on the Massachusetts Economy*** -- Massachusetts experienced the deepest recession in the nation: payroll employment fell 12.4% from early 1989 to the summer of 1993. A gradual recovery is now underway. Job growth is projected to average 1.7% annually over the next five years, led by construction and computer software, engineering, management consulting, biomedical research and business services. (Source: DRI/McGraw-Hill, Regional Overview, Fourth Quarter 1993)

- *Federal Reserve on the First District (Boston)* -- Manufacturing continues its gradual recovery, but severe winter weather has temporarily set back area retailers. Commercial real estate continues steady, and investment management firms report strong growth. (Source: Federal Reserve Beige Book, 3/9/94)

- *Raytheon Restructuring* -- On March 9, Lexington-based Raytheon announced it will eliminate 4,400 jobs (7% of its workforce) over the next two years. About 65% of the cuts will come from the company's defense businesses. (Source: Raytheon Corporation)

- *ERINT vs. Raytheon's Patriot Missile* -- The Army's decision to choose Loral's ERINT over the Patriot is subject to review by a board appointed by John Deutch. The board to is due to report by March 15. The Army chose ERINT because it hits the incoming missile with a direct hit. Patriot is not a "hit to kill" missile; it gets near the incoming missile and detonates, trying to knock it down or destroy it. The Army ran over 900,000 simulations on the two missiles, plus actual flight tests. (Source: DoD)

- *Fleet Financial Group Restructuring* -- On March 10, Providence-based Fleet announced it will eliminate 3,000 jobs over the next twelve months -- roughly 550 jobs will be lost in Massachusetts. (Source: Fleet Financial Group)

- *P&G Plant Closure* -- On January 13, Procter & Gamble announced that it will close its Quincy facility. The plant employs 315 people, and produces Ivory, Safeguard and Camay soap. P&G Chairman Ed Artzt said, "P&G's business is healthy, but we simply must reduce our total number of producing sites to remain competitive in the years ahead." (Source: Procter & Gamble)

- *NAFTA* -- Massachusetts' exports to Mexico and Canada reached $2.8 billion in 1992, supporting over 55,000 jobs. Exports to Mexico more than doubled from 1987-1992; exports to Canada also doubled during the same period. (Source: USTR)

MA's Exports to Mexico, 1987-1992 -- Thousand $ (Source: DoC)

	1987	1992	% Change
Total Exports to Mexico	**100,000**	**264,000**	**164%**
Industrial Machinery & Computers	47,000	68,000	45%
Scientific & Measuring Instruments	14,000	37,000	163%
Electric & Electronic Equipment	9,500	33,000	247%
Chemical Products	7,500	26,000	242%

FYI: On October 18, D. J. Picard, Chairman & CEO of Lexington-based Raytheon, wrote to Representatives and Senators requesting their support for NAFTA. (Source: Raytheon)

- *Central Artery/Third Harbor Tunnel* -- Construction of the Third Harbor Tunnel will provide an extension of the MA Turnpike to Logan. Design of the proposed reconstruction of the Central Artery is underway. Federal funds provided by the 1991 Intermodal Surface Transportation and Efficiency Act are being used for the two projects. (Source: DoT)

- *Base Closure* -- As a result of the Defense Base Closure and Realignment Commission's 1993 recommendations, Massachusetts will gain almost 185 civilian jobs at Defense Logistics Agency's Defense Contract Management District Northeast. There are no job losses. (Source: BRAC)

- *DFAS Selection Process* -- DoD is in the midst of a selection process to consolidate their 300 offices into 5-15 offices. Late in the Bush Administration, a list of 20 finalists, including Stockbridge, MA, was leaked. Secretary Aspin proposed a change in the selection criteria and a decision will be made in late March or early April. (Source: DoD)

- *Technology Reinvestment Project (TRP)* -- Lead participants from Massachusetts include:

Participant	**City**	**Focus Area**	**Total Project Size***
AOI International	Lowell	Optics	$927,000
Amerinex	Amherst	Robotics	$18,400,000
Analog Devices	Wilmington	Vehicle Technology	$7,600,000
Bolt Bernanek & N	Cambridge	Electronics	$395,000
Dragon Systems	Newton	Info Infrastructure	$7,000,000
M/A-Com, Inc.	Lowell	Wireless Comm.	$9,200,000
MIT	Cambridge	Mfg. Internship	$800,000
Boston University	Boston	Accelerated MS	$2,000,000
MA Biotech Rsrch	Worcester	Worker Retraining	$2,800,000
Northeastern U	Boston	Electromagnetics	$2,600,000
Tufts U	Medford	Retraining	$3,700,000
Worcester Plytchnc	Worcester	Manufacturing Ed.	$8,600,000
Bay St Skills Corp	Boston	Suppliers Institute	$2,100,000
Cmmnwlth of MA	Boston	Mfg. Modernization	$30,000,000
TOTAL			**$96,122,000**

* Federal share to be negotiated (about half). Lead participants have smaller partners.

- *Digital Equipment on Your Export Control Policy* -- Bob Palmer, CEO of Digital Equipment Corporation wrote a positive op-ed piece in the Boston Globe following your September, 1993 announcement on export controls. FYI: Digital has invited you a dedication at their new chip factory in Hudson, MA. The plant will produce powerful microprocessors for a new line of work stations.

The Balanced Budget Amendment would cost Massachusetts $5.3 to $5.7 billion a year

Option 1: Tax increase and across-the-board spending cut[1]

Increases in taxes -- $2.6 billion a year ($852 per taxpayer)

Cuts in Benefits, Services, and Defense -- $3.0 billion a year

- $609 cut per year for the average Social Security recipient
- $589 less for each person enrolled in Medicare
- $352 less for each Medicaid recipient
- $829 million in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $531 million additional cut in annual defense spending

Option 2: Across-the-board spending cut

Cuts in Benefits, Services, and Defense -- $5.5 billion a year

- $1,107 cut per year for the average Social Security recipient
- $1,071 less for each person enrolled in Medicare
- $639 less for each Medicaid recipient
- $1.5 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $966 million additional cut in annual defense spending

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[1] Tax increase comprises 45% of national deficit reduction package (percentage varies by state), equal to the average revenue component of the last two deficit reduction packages. Spending cuts are proportional across programs

Note: Budget numbers based on CBO projections for FY 2000. Allocations based on 1992 data. The potential contractionary impact of tax increases and/or spending cuts is not included.

Option 3: Across-the-board spending cut, excluding defense

Cuts in Benefits and Services -- $5.3 billion a year

- $1,307 cut per year for the average Social Security recipient
- $1,264 less for each person enrolled in Medicare
- $755 less for each Medicaid recipient
- $1.8 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

Option 4: Across-the-board spending cut, excluding Social Security

Cuts in Benefits and Services -- $5.7 billion a year

- $1,444 less for each person enrolled in Medicare
- $862 less for each Medicaid recipient
- $2.0 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs
- $1.3 billion additional cut in annual defense spending

Option 5: Across-the-board spending cut, excluding defense and Social Security

Cuts in Benefits and Services -- $5.5 billion a year

- $1,819 less for each person enrolled in Medicare
- $1,086 less for each Medicaid recipient
- $2.6 billion in reduced funding for fighting crime, building highways and bridges, protecting the environment, providing education, and other federally funded programs

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO THE PRESIDENT

FROM: **John Hart, Deputy Assistant to the President for Intergovernmental Affairs**

DATE: **March 14, 1994**

SUBJECT: **Massachusetts and Health Care Reform**

I. BACKGROUND

Massachusetts' status in health care reform is typical of "middle of the pack" states. Although the Democratic controlled legislature recognizes the need for greater access to health care, it has yet to demonstrate the political will to enact broad-based reforms. Dominated by specialists, academic health care centers, and large wealthy city hospitals, the Massachusetts health care system serves the needs of providers, and, hence, demonstrates the problems of the nation's health care system.

A. Local Health Care Concerns

Massachusetts boasts higher than average health outcomes, better than average access to health care, and a huge provider community. Nevertheless, a total of 650,000 Massachusetts residents - or 10.9% of the population - are uninsured (ranking 34th in the nation). Only 4.9% of the population is underserved - this is the lowest population of underserved individuals for any state in the nation. However, the number of uninsured is growing dramatically. Between 1989 and 1993, the uninsured increased from 455,000 to 621,000 people - an increase of roughly 36%.

Another major concern for Massachusetts is that among the more than 100 hospitals in the state are some of the nation's premier teaching hospitals. While these institutions initiate breakthrough research and perform innovative medical procedures, they are loaded with health care specialists and have some of the highest medical costs in the nation. (See briefing on Academic Health Centers by Lynn Margherio)

Higher Costs

The problems of the U.S. health care system are exaggerated in Massachusetts. Health care costs in Massachusetts were 25% higher in 1991 than the national average; for the same year, per capita health care costs were 12% higher in Massachusetts than in New York which ranks second. Experts attribute higher costs to the following:

1. The saturation of specialists in the state (academic medical centers train many more specialists than generalists).
2. The "medical culture" which favors, often unnecessarily, the use of expensive high technology equipment.
3. Costs of paying for recent hospital construction (resulting in empty beds and higher debt).
4. Educated patients who demand a bevy of services.
5. Large elderly population.

Top Heavy System: HMOs, Consolidation

With 34.8% of the population receiving care through HMOs, Massachusetts ranks first in the nation for enrollment in prepaid health maintenance organizations. The state's HMOs have been successful in negotiating with hospitals for lower rates; some HMOs claim that their success in limiting costs mitigates the need for federal reform.

Massachusetts hospitals are consolidating at such a feverish rate that the state's powerful hospital empire could shrink by one third or more in the next few years. The recent rash of hospital mergers - prompted by both the uncertainties of national health care reform as well as by a new state law designed to increase competition in the health care sector - is made most obvious by the merger of two distinguished Harvard teaching hospitals, Massachusetts General and Bringham and Women's. Mergers are intended to reduce costs and avoid duplicating services. It is believed that combined and streamlined institutions will be better positioned to bid for contracts with health care purchasing groups under the managed competition scheme. Small regional hospitals, however, are troubled by the increasing consolidation of the state's larger, more powerful providers (many large Boston hospitals are indicating interest in purchasing small, local hospitals, which could leave the smaller hospitals with the highest risk patients).

B. <u>Comprehensive Reform Initiatives</u>

Neither Governor Weld nor the Democratic legislature has made health care reform a priority. Although every imaginable approach to reform has been placed before the Massachusetts legislature, the legislature has refrained from making any universal access reforms. Since the introduction of the Health Security Act, the legislature has made more noise indicating an interest in attempting some reforms in the coming session.

During 1993, Massachusetts considered the creation of new state high risk pools, but did not act, and rejected linking coverage with eligibility for investment tax credits. Additionally, Massachusetts, known for its regulated delivery system, considered mixing aspects of managed competition and single-payer plans. One proposal would have combined a single state purchasing authority (the Massachusetts Health Resources Corporation), funded through payroll and income taxes, with competing health plans. An interesting feature of the bill is its explicit inclusion of both fee-for-service and managed care plans, with a detailed process for encouraging a transition to managed care plans. While plans would be at risk for costs, hospitals would be assigned annual budgets, allocated proportionately among the competing plans.

A play-or-pay enacted by Massachusetts in the late eighties but never implemented for fiscal and political reasons, becomes effective in January 1995. Governor Weld (R), who is up for reelection this year, had planned to unveil his health care reform plan 2/28/94. The proposal, which is expected to introduce an individual mandate proposal but not expected to contain health care alliances, should be announced within the next few weeks. The legislators are likely to act in November after the gubernatorial election. At that time, the Massachusetts legislature will hold a lame duck session with the election and federal action hampering its choices. Democratic legislators hope to introduce a plan this year for universal coverage (see Representative Buell's Reform Proposal below).

Play-or-Pay
In 1992, the legislature reversed or delayed many of the provisions of its pioneering Health Security Act (implementation of this universal coverage bill is delayed until 1995). Introduced in 1988, the HSA "Play-or-Pay" reform strategy would have required employers to either insure their workers or pay a tax to a state insurance program. With implementation of the employer mandate delayed until 1995, only two portions of the bill have been enacted, and both are considered model programs: (1) the Common Health Program, a Medicaid buy-in program for the disabled; and (2) the Health Security Plan, which provides health coverage to the uninsured unemployed.

Still, Massachusetts will need to revisit its play-or-pay plan before the scheduled January 1995 start-up. Because both a percentage of payroll and a premium level were specified in the original act, the program would be badly underfunded if implemented without amendment.

Compromise Reforms
In 1992, changes in the economic and political climate prompted the legislature to initiate alternative reforms that rely more heavily on the private sector. Specifically, the hospital rate regulation system that had been in place since 1975 was repealed - allowing insurers to negotiate rates with hospitals - and modified community rating for small group insurance was enacted in that session. Critics of the weakened reforms insist that community rating is

ineffectual, as the rating bands allow for a differential of 5 times in insurance prices.

Health Care Alliances

Attorney General Scott Harshbarger, Chair of the National Association of Attorneys General Health Care Task Force, crafted a health reform proposal to transform the state's health insurance marketplace into a stripped-down version of the Clinton administration's health alliances. Harshbarger's proposal is closer to market-based reforms rather than a clone of the Clinton plan. Harshbarger's plan would set up a system of health insurance purchasing cooperatives to broker coverage for a substantial fraction of the state's population. The plan is touted as being less bureaucratic and more flexible than the Clinton plan. Key reform initiatives of the plan include a uniform benefits package; community rating; small business purchasing cooperatives; competing purchasing cooperatives; mandatory coverage for anyone who seeks it; a re-insurance pool to compensate health plans with high-risk subscribers; and a seven member Purchasing Cooperative Oversight Commission. Unlike the Clinton plan, Harshbarger's proposal does not address how health care would be paid for and it would not require an employer mandate. The proposal is a companion piece to Harshbarger's legislation already filed that would set new standards for health insurance policies, banning exclusions for people with pre-existing conditions and the widespread industry practices known as cherry-picking and cream-skimming.

In June 1993, 26 companies formed a purchasing pool for large employers. Members of this private/public pool include the Boston Globe and NYNEX Corporation. There is no comparable entity for small employers.

Representative Buell's Reform Proposal

Representative Carmen Buell's (D) proposal, expected to be unveiled this year, builds on an existing combination of public and private-sector roles in the ares of financing, access and quality. The plan combines a major step toward universal coverage and far-reaching insurance market reform. The proposal institutes several key reforms which will facilitate the eventual implementation of an employer mandate, preferably in concert with the 1996 target date in President Clinton's plan. The responsibility for financing health care coverage shall be shared among employers, individuals and government.

The key initiatives of the proposal are as follows:

Coverage - Residents will enroll in certified health plans through a system of private and public avenues for purchasing coverage. Subsidies to the underprivileged and the working class, provided through the Children's Health Insurance Plan, employer participation and the State Health

Plan, will ease the economic impact of purchasing insurance coverage.

Financing - Revenues to finance the program will come from a combination of private and public sources including 1) a Children's Health Insurance Plan which ensure that children up to age 19 will have access to a comprehensive benefits package; 2) employer contributions; 3) individual and family contributions; and 4) subsidies for low-income families and individuals - low-income adults, the uninsured, working and unemployed - if their incomes fall below 200% of poverty.

Insurance Reform - All certified health plans will be required to use adjusted community rating for policies issued to groups of 1-100, including private policies issued to individuals in the "non-group" market. Guaranteed issue will apply for all plans. Pre-existing condition exclusions and waiting periods will be prohibited for new enrollees who were previously covered under a qualifying health plan with actuarially comparable coverage.

Health Insurance Purchasing Service Associations - HIPSAs will market health plans and enroll employees in plans. Small businesses, the self-employed and unemployed non-Medicaid individuals may voluntarily purchase insurance through these entities. HIPSAs must offer a variety of plans from which employees will be able to select coverage.

Health Care Authority - The Authority, governed by three full-time commissioners, will coordinate all elements of the Commonwealth's health care reform strategy. Responsibilities of the Authority include 1) crafting a plan for folding Medicaid and Medicare recipients into one state-administered purchasing pool; 2) monitoring and assuring the standardization, collection and dissemination of consumer satisfaction and clinical outcomes measures, and monitoring the collection of financial information from health plans in order to monitor costs and plan compliance with certification and solvency requirements; and 3) reorganizing, coordinating and implementing regulatory roles.

Public Health and Essential Community Providers - The proposal ensures the protection of providers whose geographic or cultural position promote access to timely and effective care for underserved populations by 1) ensuring that the private delivery system meets public health goals; 2) ensuring that medically underserved populations gain access to the health care delivery system and have an adequate choice of community-oriented providers and health plans; and 3) establishing standards of care and specifying services that must be made available to designated essential community providers.

Work Force - To ensure that reform is consistent with emerging shifts from specialty care to primary and preventative care and from institutionalized care to community- and home-based care, the plan will increase the supply of primary care providers, establish an institute for primary care workforce training and placement, and develop a plan to re-train displaced workers in other segments of the health care industry.

Long-term care - The Division of Long-Term Care will create a comprehensive, coordinated system that provides long-term health and personal care services to all functionally disabled persons.

MassHealth Managed Care

A significant reform package introduced by the Weld administration is the MassHealth Managed Care program for Medicaid (authorized in 1992) which requires that recipients' health care be coordinated through a primary "gatekeeper" physician. Since receiving its ERISA waiver in February 1992, the program has enrolled 450,000 of the state's 600,000 Medicaid recipients. Recipients are offered coverage through 13 HMOs or the state's managed care Primary Care Clinician program. The Weld Administration estimates that the program will save $88 million in two years.

Community Benefits

The Attorney General's office is a strong supporter of Massachusetts' community benefits guidelines. These regulations define how nonprofit acute care hospitals can best fulfill their charitable obligations. The guidelines were developed in order to 1) focus the attention of all nonprofit acute care hospitals in the state on meeting the pressing needs of medically unserved or underserved populations; 2) provide those hospitals with a working model for the development and implementation of a formal Community Benefits Plan; and 3) set forth the perspective of the Attorney General with respect to the fulfillment of such hospitals' charitable responsibilities. In the face of increasing competition and economic pressures to curtail unnecessary health care costs, extra vigilance is required to ensure that disadvantaged and at-risk populations are not neglected.

C. <u>Incremental Reform Initiatives</u>

Access

The state subsidizes several insurance programs targeted at vulnerable groups. These programs include:

- CenterCare which provides primary care services to low-income people through Community Health Centers and encourages CHCs to develop managed care plans for low-income uninsured people.
- Subsidized coverage for low-income children ages 0-6. The policy covers outpatient primary and preventive

care, and co-insurance and copayments are scaled to income.

Cost Containment
Cost containment strategies include policies to encourage hospital closings and consolidations and to decrease excess hospital beds.

Regulations on Small Group Insurance
- Guaranteed Renewal
- Modified Community Rating (weak)
- Guaranteed Issue

Scholarship and/or Loan Forgiveness/Replacement Program

Certificate-of-Need Program, since 1972

D. Key Players in Health Care Reform
There are few leading health reform figures in Massachusetts. Scott Harshbarger is among the most notable of this small group. Not only has he visited the White House, but he also heads the NAAG's health care task force and he led the movement to introduce alliances in Massachusetts. Barbara Anthony, a member of Harshbarger's staff, participated in the development of the Health Security Act. Robert Restuccia, Director of Health Care for All, is the leading activist for health care issues in the state. Representative Carmen Buell is Chair of the Health Care Committee in the Massachusetts House. State Senator William Bulger (D) is an avid supporter of the Administration and a leading figure in Massachusetts politics. Although not a leader in health care reform, Bulger supports the Health Security Act. The House Speaker is Charlie Flaherty (D).

II. COMPARISON TO THE HEALTH SECURITY ACT
Naysayers claim that the failure of Massachusetts' play-or-pay model bodes ill for the success of the Health Security Act. On the contrary, the Health Security Act reflects the lessons we have learned from Massachusetts' troubled experience with health care reform, and resolves the hurdles to implementation from which Massachusetts suffered.

First, critics of the play-or-pay plan are concerned that employers will be forced to pay exorbitant prices to insure employees. The Health Security Act resolves this problem through alliances, which will help to keep prices low and simplify the process of obtaining coverage. Second, play-or-pay critics fear that this reform will drive businesses out of the state. The Health Security Act resolves this issue by introducing national reform which requires employers from every state in the nation to contribute to health care coverage. Finally, the Health Security Act supports proven cost-containment mechanisms; play-or-pay did not.

The high quality of care and effectiveness of academic research centers are elements of the Massachusetts health care system that the Health Security Act will preserve. However, the Health Security Act will discourage the fragmentation of care through specialization that predominates in Massachusetts. As well, it favors outpatient care and discourages the construction of massive hospital units that has occurred in Massachusetts over the past decade.

Some critics are also concerned that Massachusetts' large population of health care workers may lose their jobs after reform.

III. MASSACHUSETTS DEMOGRAPHICS

General Demographics & Ranking

- Total population of 5,996,000 in 1991.
- 10.7% below poverty.
- 15.7% rural.
- 1st in nation for population enrolled in HMOs (33.4%).
- 4th in nation for Medicaid payments per recipient ($4,733).
- 50th in nation for population underserved (4.9%).

The Uninsured

- 650,000 people, or 10.9% of the population, were uninsured as of June 1992. This marks an increase of 35% in the uninsured rate between 1989 and 1992.
- 18% of the residents working in firms with less than 25 employees are uninsured, compared to 26% nationally.
- 11% of the residents working in firms with 25-99 employees are uninsured, compared to 18% nationally.

Underserved

- 4.9% of the population is underserved; this is the lowest population of underserved individuals for any state in the nation.

Providers

- 16 HMOs in operation in 1992.
- 21 PPOs in operation in 1992.

Health Spending

- Estimates of total Massachusetts health spending range from 9% to 18% of personal income. This amounts to a total of $13 to $26 billion in health care spending.
- Average cost of health care paid by New England employers in 1991 was about $3,900 per employee - a 35% increase over 1989 and a 9% increase above the national average.
- Annual 1992 HMO premiums for a family policy range from $4,476 to $6,312. Weighted average family premium of the five largest HMOs (covering 1.525 million members) is $5,750.

- Health care costs are the highest in the nation. For FY 1992, PHS public health expenditures amounted to $1.012 billion. For FY 1993:
  - Average adjusted cost per admission for Massachusetts community hospitals was $6,086, compared to $5,360 for the U.S.
  - Average adjusted cost per inpatient day for Massachusetts community hospitals was $880, compared to $752 for the U.S.
  - Labor accounted for 57% of total expenses for Massachusetts community hospitals, compared to 54% for the U.S.

<u>Medicaid</u>

- During FY 1993, Medicaid covered 631,000 recipients, including 335,000 in AFDC households; 120,000 disabled; and 84,000 elderly.
- Approximately 10% of the population were Medicaid recipients in 1993.
- Projected FY 1993 spending on Medicaid is $3.22 billion or approximately 18.7% of a $15.5 billion state budget.
- Overall cost per Medicaid recipient was $4,670.

<u>Health Care Employment</u>

- 299,000 persons are employed in state health services.
  - 137,000 of these people are employed in hospitals.
  - Between January 1991 and June 1993, the total number of health care workers increased by 25,000 (9.2%), while hospital employment increased by 8,000 (6.2%).
- 10.7% of total employment was in health services, as compared to 8% for the U.S. (June 1993).
- Approximately 11,270 patient care physicians reside in MA.
- Approximately 28% of physicians are generalists, compared to 35% nationally.

<u>Health Outcomes</u>

- Infant mortality deaths average 6.6 per 1000 live births (47th in the nation).
- 85.8% of the population of pregnant women started prenatal care in the first semester (1991).
- 69.3% of the state's two year olds were appropriately immunized (1989).

MASSACHUSETTS STATE
SAVINGS UNDER HEALTH SECURITY ACT

Massachusetts State will save $2.4 billion in public health care spending between 1996 and 2000.

CHANGE IN SPENDING UNDER THE HEALTH SECURITY ACT
IN MILLIONS OF DOLLARS

	1996	1997	1998	1999	2000	TOTAL (1996-2000)
Acute Care Medicaid	NA	$100	($280)	($539)	($719)	($1,438)
LTC Savings	($97)	($147)	($156)	($149)	($137)	($686)
State employee health care spending	NA	NA	NA	NA	($291)	($291)
TOTAL PUBLIC SAVINGS	($97)	($47)	($436)	($688)	($1,147)	($2,415)

In addition, the private sector will save $1.6 billion in lower premiums in FY 2000 alone. (Earlier years not available.)

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

THE DIRECTOR

March 11, 1994 MAR 11 P7:49

MEMORANDUM FOR THE PRESIDENT

FROM: LEON E. PANETTA

SUBJECT: Information on New England Fisheries Dislocation

A serious reduction of important New England commercial fisheries threatens to dislocate as many as 20,000 persons. A federal interagency effort to implement a strategy for economic assistance is underway. The assistance package that I would propose to you includes $25 million for immediate impact. This new spending would be provided from the $550 million reserve in the Emergency Supplemental Appropriations Act of 1994 (monies for Los Angeles earthquake, Midwest floods, and other disasters). Subject to your approval, the $25 million figure would be announced at the end of the week in tandem with monies for earthquake assistance. It is highly preferable that the $25 million figure not be announced in Boston until you have approved the package and its announcement is coordinated with the California and Midwest delegations.

It would be preferable if Secretary Brown, who will be in Boston on Wednesday or Friday, made the announcement with members of the New England delegation. The best course would be for you to make broad statements of support for the fishing communities on Monday, which will be greeted enthusiastically. Secretary Brown would then outline the details later in the week, which may well provoke some criticism from members of the delegation who are seeking $60 million in immediate aid.

Background

Commerce/NOAA manages marine fisheries. Recent and expected regulatory changes to the Northeast Multispecies Fishery Management Plan will have profound effects on New England fishermen. Their objective is to eliminate the overfished condition of both groundfish stocks (haddock, cod and flounder) and scallops, which are at historically low levels. This conservation goal is to be achieved by reducing the catch rate *by 50 percent over the next five to seven years.* Lacking conservation, overfishing will continue until stocks are exhausted.

Effects of Regulations

Commercial fishing in the northeast generates $600 million in annual revenues. More than half the normal income to New England fishermen comes from the species now in short supply. In nearby Canadian waters, overfishing has forced the government to close the groundfish fishery. Canada will pay its fishermen nearly $1 billion in welfare over five years to not fish.

Recent estimates indicate that there are 28,000 people from Maine to Maryland with at least part-time dependence on commercial fish harvesting. In addition, 11,000 are involved in processing and wholesale. A fifty-percent decline in economic activity in these industries suggests a potential dislocation of 20,000 workers, primarily in Massachusetts and Maine.

The Plan for Strategic Assistance

The first step is underway. Conservation measures are being taken to ensure a return to productive fish stocks. These measures should help reduce overcapitalization in the fisheries -- one of the leading causes of overfishing and reduced profitability.

The second step is to deal with the economic impact. Commerce has hosted town meetings to assess the needs of distressed fishing communities. It is a bottom-up approach that provides for industry sustainability, economic diversification, and rightsizing of the fishing fleet. In addition to the $25 million from the earthquake supplemental, Commerce has at least $4 million from existing resources for direct assistance to New England fisheries. We continue to search for additional sums.

Commerce will act as a clearinghouse to help the region and fishermen access assistance from other federal agencies. In addition, Labor, SBA, HHS, and HUD may help provide social services, refinancing assistance, and worker-retraining assistance out of existing resources. The agencies are developing information and application packages, and will take these to the affected port communities. This outreach builds upon your policies for economic assistance to distressed regions.

Congressional and State Perspectives

Members of the New England congressional delegation are responding aggressively to the fishery crisis. On March 7, you received a letter from the delegation requesting $60 million to be released from the 1994 supplemental. Members identified three priority areas: financial restructuring, community reinvestment, and vessel buy-backs (a Kerry/Studds priority). The $25 million Commerce package funds the first two program areas. Although there is no consensus within the delegation as to priorities, we sense that refinancing mechanisms and community reinvestment -- the focus of your overall assistance strategy -- would be ranked higher by most members. An additional reason for your statements to be limited to broad support for the fishermen is that the $25 million is subject to review by the Congress and cannot be made available until 15 days after Congressional notification.

Commerce has been instructed to leverage State resources in the administration and use of all federal resources. Governor Weld of Massachusetts indicates he will seek up to $10 million from the State for assistance to Massachusetts fishermen.

PRESIDENT'S TALKING POINTS:
AN ASSISTANCE STRATEGY
FOR NEW ENGLAND FISHING COMMUNITIES

- We are facing the virtual collapse of one of America's most historic and important fisheries. I have decided that the magnitude of the disaster in the New England region -- affecting individuals, families and communities -- requires that we make federal resources available.

- From Maine to Maryland, there have been unprecedented declines in commercially-important fish species. Groundfish such as cod, haddock, and flounder are in such short supply that Federal fishery management authorities have been forced to implement regulations reducing the permissible catch by half over the next five years.

- With thousands of vessels and tens of thousands of persons employed, these regulations will cause considerable pain, disruption, and yes, loss of employment. It is difficult to reconcile the need for conservation with the need to ensure food for the family. Yet, without immediate conservation measures, it is clear that New England's fisheries might never recover, and the economic basis for dozens of communities would be destroyed forever. Our neighboring Canadian fishery now faces a total shut-down. We cannot allow this to happen to New England.

- Management measures now are being taken to ensure productive fisheries for the future. The next step is to deal with the economic impact. I've directed Commerce Secretary Brown and OMB Director Panetta to work with the New England Congressional delegation, state and local leaders, and the fishing industry to design a comprehensive aid package over the next few days. Each of you who are directly affected must join this effort. I value your input and advice. It is important that we build a sense of collective ownership in the decisions made.

- Through partnership, we will design a plan that deals with the near-term economic impact as well as the long-term need for sustainable use of the resource. Anything less would continue to threaten the vitality of the regional economy, as well as the confidence of fishermen and communities.

- Unique challenges are nothing new to the fishermen of New England but this may be your greatest challenge. You should not have to face it alone, and you will not.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

March 11, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: KIMBERLY O'NEILL Kimberly O'Neill

SUBJECT: Massachusetts Economic Facts

Economic indicators for Massachusetts are coming back in line with national averages as Massachusetts recovers from the latest recession. Though the growth rate of personal income has slowed in Massachusetts in recent years, living standards are still among the highest in the Nation.

- **Employment in Massachusetts declined during every year of the Bush Administration -- the State lost over 335,000 jobs between 1988 and 1992.** Between 1992 and 1993, however, employment in Massachusetts grew by 1.7 percent -- or 46,000 jobs (Chart 1).

- In December 1993, the unemployment rate in Massachusetts fell to 6.3 percent, only slightly below the national rate of 6.4 percent (Chart 2). While Massachusetts' unemployment rate was below that in the Nation throughout the 1980s, in the latest recession unemployment in the State climbed to its highest levels in at least 15 years. **Between February 1989 and February 1993 Massachusetts' unemployment rate rose from 3.2 percent to 7.7 percent -- an increase of 4.5 percentage points.**

- **Living standards in Massachusetts, which grew rapidly in the 1980s, are among the highest in the Nation.** Per capita personal income in Massachusetts ($23,811 in 1992) was the 4th highest in the Nation--18 percent above the national average (Chart 3).

- Key sectors in the Massachusetts economy include health care, education, manufacturing (especially defense-related), finance and insurance, and professional services. The State ranks the 3rd in the Nation in per capita defense contracts.

  - Massachusetts is an important center for high-tech manufactured goods, particularly computer equipment, scientific instruments, and electric equipment. Other important industries include printing and publishing and leather products.

- Important industries in Boston include finance and insurance, health and educational services, manufacturing, and tourism. The Boston area (i.e., Route 128) is one of the Nation's major high-tech manufacturing centers.

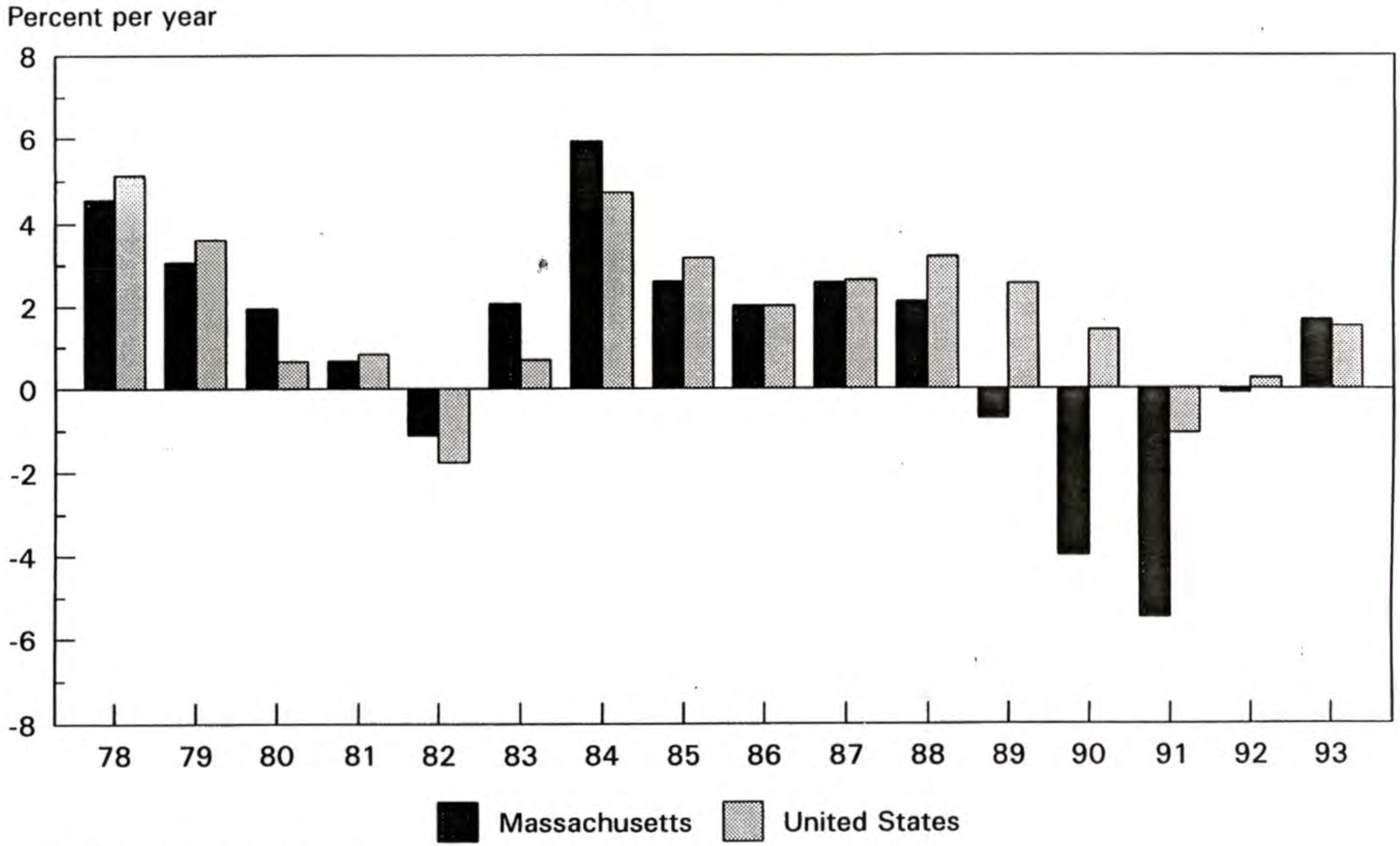
  - **The Boston area lost about 45,000 jobs between 1988 and 1992, while the economy <u>gained</u> over 22,000 jobs between 1992 and 1993.**

Attachments

Massachusetts and the United States

Growth in Nonfarm Payroll Employment

1978 - 1993



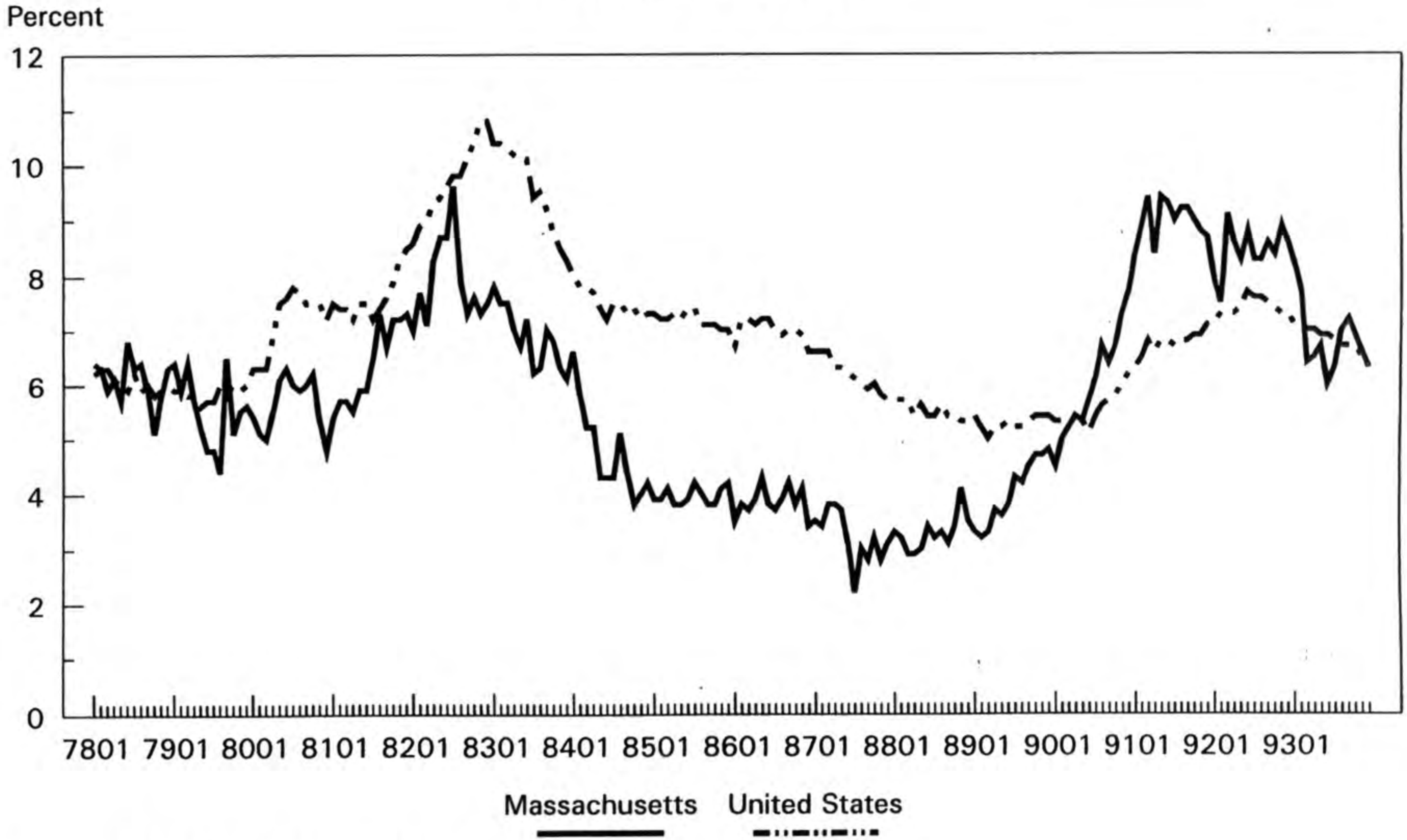
Produced by the Council of Economic Advisers.

Source: Department of Labor.

Massachusetts and the United States

Unemployment Rates

Monthly, 1978 - 1993

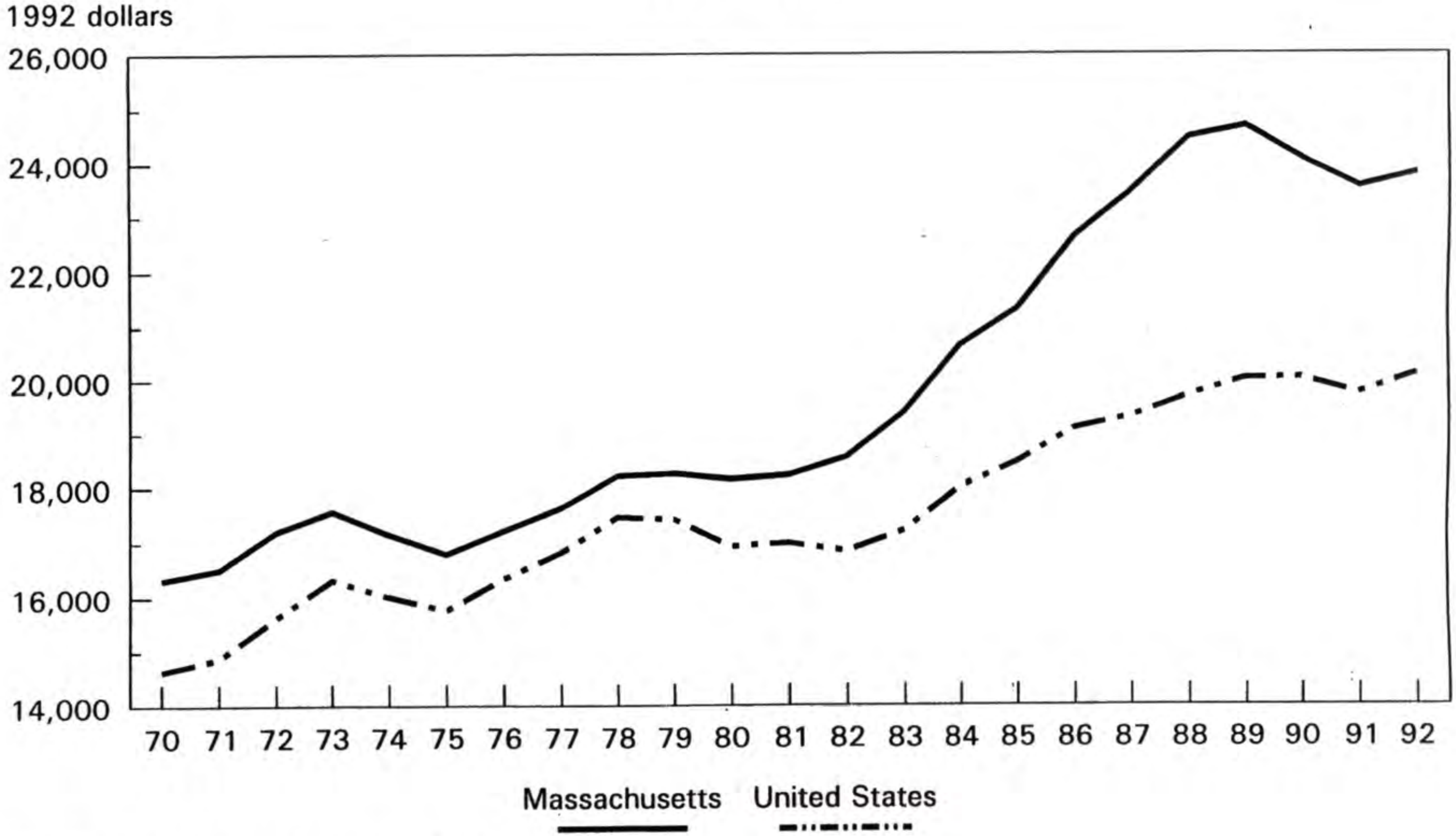


Produced by the Council of Economic Advisers.
Source: Department of Labor.

Massachusetts and the United States

Real Per Capita Personal Income

1970 - 1992



Produced by the Council of Economic Advisers.

Sources: Dept. of Commerce and Dept. of Labor.

Note: Both series deflated by CPI-U for all U.S.

THE WHITE HOUSE

WASHINGTON

March 12, 1994

MEMORANDUM TO THE PRESIDENT

From: Ann Walker, Paul Meyer

Subject: Local Issues Briefing-Boston

JOBS

Raytheon announced plans this week to cut 4,400 jobs and shut down four plants in Massachusetts and New Hampshire. Of these layoffs, 1,037 will come in Massachusetts. (See New Hampshire local issues briefing for details)

Fleet Financial Group, Inc., New England's largest banking company, announced plans to layoff 3,000 to 4,000 employees, over 10% of its work force. Currently, Fleet employs 4,500 in Massachusetts. (See New Hampshire local issues briefing for details)

ST. PATRICK'S DAY PARADE

The organizers of Boston's annual St. Patrick's Day Parade have promised to cancel the parade in light of the Massachusetts Supreme Court's Friday decision upholding the right of a homosexual group to participate.

FISHING PROTEST

Nearly 300 fishermen rallied at the State House Wednesday to voice their strong opposition to the new federal restrictions on the fishing industry. In order to preserve rapidly falling fish stocks, the Department of Commerce announced plans to cut in half the amount of time that fisherman can fish. According to Commerce, there is the potential for 20,000 lost jobs due to the combination of the stock depletion and the management cutbacks. Fisherman have vowed to shut down the local fishing industry until their concerns are addressed by the federal government. Striking fisherman started a ruckus on Fisherman's Wharf in Gloucester Wednesday evening, throwing boxes of fish off a truck and tipping over cars.

JOB CORPS SITES

On Thursday, Fort Devens Army Base, located outside Boston, was selected to be one of nine new Jobs Corps Sites. This will alleviate some of the aggravation caused by the elimination of 11.4% of the military reservists in the state this year

AMTRAK ROUTE
Amtrak and Massachusetts signed a contract last week to cooperate in the initial design for the North-South Rail Link. The rail link would provide the missing link to East Coast Amtrak service from Portland, Maine to Miami, Florida. The first phase of the rail link is estimated to cost $1.8 billion.

FARRAKHAN
Louis Farrakhan held speeches this week at University of Massachusetts-Amherst and at Strand Theater. Wednesday, at Strand Theatre he spoke to 1,400 black men and urged them to drop guns, drugs and invest in their families and future. In his speech he also accused Martin Luther King Jr. of being an enemy to the black people. The Amherst speech contained the minister's usual anti-Jewish rhetoric. Prominent black ministers in Boston accused Farrakhan publicly Thursday of hypocrisy for preaching black on black violence while failing to condemn crimes within the Nation of Islam. Outside the theater, women and whites were barred from entering the black men-only meeting. Earlier, the Nation of Islam had said all would be welcome at Farrakhan's speech. Mayor Marino has condemned the discrimination and has asked the district attorney to look into it.

WELFARE
Governor Weld is pushing a proposal to end cash grants for able bodied welfare recipients. The plan does not contain anything to help those on welfare find jobs. Welfare activists are endorsing House Speaker Charles Flaherty's which would subsidize jobs and force businesses to pick up a bigger share of the wages.