

**H.R. 1756, THE DEPARTMENT OF COMMERCE  
DISMANTLING ACT**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,  
INFORMATION, AND TECHNOLOGY  
OF THE  
COMMITTEE ON GOVERNMENT  
REFORM AND OVERSIGHT  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FOURTH CONGRESS  
FIRST SESSION  
ON  
**H.R. 1756**  
TO ABOLISH THE DEPARTMENT OF COMMERCE

SEPTEMBER 6, 1995

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Printed for the use of the Committee on Government Reform and Oversight



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# H.R. 1756, THE DEPARTMENT OF COMMERCE DISMANTLING ACT

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WEDNESDAY, SEPTEMBER 6, 1995

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,  
INFORMATION, AND TECHNOLOGY,  
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 9:05 a.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn, Blute, Davis, Fox, Scarborough, Bass, Spratt and Peterson.

Also present: Representatives Clinger, Mica, Collins of Illinois and Chrysler.

Majority staff present: J. Russell George, staff director; Mark Uncapher, Council Nedd, and Cissy Mittelman, professional staff members; and Cheri Tillett, assistant chief clerk.

Minority staff present: Bruce Gwinn, senior policy analyst; David McMillen, professional staff member; and Elisabeth Campbell, staff assistant.

Mr. HORN. A quorum being present, the Subcommittee on Government Management, Information, and Technology will come to order.

Today we will consider Title I of Representative Dick Chrysler's bill, H.R. 1756, to dismantle the Commerce Department. Mr. Chrysler and Secretary Ronald H. Brown will each testify, as will other witnesses, to provide differing perspectives on the elimination of the Department of Commerce. We thank them all for coming.

Last May, in our hearings on making government work, we looked at several Cabinet agencies as candidates for restructuring or elimination, including the Department of Commerce. Our focus today is on the details of Mr. Chrysler's bill, the first bold and deliberate step toward simplifying the existing departmental structure.

The bill is not, as some have claimed, an exercise in moving boxes on an organizational diagram. It will save money, up to \$7 billion; but saving a buck is only one factor behind this legislation. The larger picture, and the spirit in which we meet here today, is to continue working with all relevant House committees in order to act fairly and thoroughly on these ideas. We also strive to do the most good for the most people and to provide for an efficient and effective government. The citizenry deserve no less.

The central point is: Should the Federal Government be performing all the functions the Department of Commerce now does? Can we stop implementing some functions? Can we transfer still other functions to related Federal agencies or the private sector? Can we keep only those functions on which it is worth spending the taxpayers' money?

These are the types of questions the leaders of other national governments, various State governments and corporate America have been asking about the missions and services each of them have and have traditionally performed. In this hearing on H.R. 1756, we want to focus discussion on these issues.

This is not a hearing about whether or not Commerce has been doing a good job or a bad job. It is a hearing on whether or not Commerce's current functions should be a Federal responsibility at all. Believing that the inherently Federal Commerce functions will not warrant a separate Cabinet department, the bill's drafters have proposed a caretaker body, the Commerce Programs Resolution Agency, or CPRA, to phaseout the Department. Will the Commerce Programs Resolution Agency, as proposed, effectively dispose of today's Commerce function? Can we make it a model or a blueprint for the dissolution of other Cabinet departments? Our witnesses today may help us resolve these questions.

Gentlemen, we thank all of you for joining us, and we look forward to your testimony.

I would like to ask the chairman of the full committee, Mr. Clinger, if he has an opening statement.

[The text of H.R. 1756 follows:]

104TH CONGRESS  
1ST SESSION

# H. R. 1756

To abolish the Department of Commerce.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 7, 1995

Mr. CHRYSLER (for himself, Mr. BROWNBACK, Mr. KASICH, Mr. LIVINGSTON, Mr. SOLOMON, Mr. CRANE, Mr. BOEHNER, Mr. PAXON, Mr. PARKER, Mr. METCALF, Mr. COOLEY, Mrs. CHENOWETH, Mr. NEUMANN, Mr. SCARBOROUGH, Mrs. MYRICK, Mr. KNOLLENBERG, Mr. GUTKNECHT, Mr. LAHOOD, Mr. SANFORD, Mr. GRAHAM, Mr. WELDON of Florida, Mr. HILLEARY, Mr. JONES, Mr. ENSIGN, Mr. CHRISTENSEN, Mr. WELLER, Mr. KLUG, Mr. NETHERCUTT, Mr. MCINTOSH, Mr. STEARNS, Mr. SMITH of Michigan, Mr. RADANOVICH, Mr. SALMON, Mr. CHABOT, Mr. FOX of Pennsylvania, Mr. LARGENT, Mr. BONO, Mr. TIAHART, Mr. CREMEANS, Mr. MILLER of Florida, Mr. HAYWORTH, Mr. HUTCHINSON, Mr. WICKER, Mr. HASTINGS of Washington, Mr. FUNDERBURK, Mr. FRISA, Mr. THORNBERRY, Mrs. WALDHOLTZ, Mr. NORWOOD, Mrs. SEASTRAND, Mr. BASS, Mr. EWING, Mr. SHADEGG, Mr. HOEKSTRA, Mr. CAMP, Mr. LINDER, Mr. UPTON, Mr. WHITE, Mr. RIGGS, Mr. TATE, and Mrs. SMITH of Washington) introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committees on Transportation and Infrastructure, Banking and Financial Services, International Relations, National Security, Agriculture, Ways and Means, Government Reform and Oversight, the Judiciary, Science, and Resources, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To abolish the Department of Commerce.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Department of Com-  
3 merce Dismantling Act”.

4 **SEC. 2. TABLE OF CONTENTS.**

5 The table of contents for this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.

**TITLE I—ABOLISHMENT OF DEPARTMENT OF COMMERCE**

- Sec. 101. Reestablishment of Department as Commerce Programs Resolution Agency.
- Sec. 102. Functions.
- Sec. 103. Deputy Administrator.
- Sec. 104. Continuation of service of department officers.
- Sec. 105. Reorganization.
- Sec. 106. Abolishment of Commerce Programs Resolution Agency.
- Sec. 107. GAO report.
- Sec. 108. Conforming amendments.
- Sec. 109. Effective date.

**TITLE II—DISPOSITION OF PARTICULAR PROGRAMS, FUNCTIONS,  
AND AGENCIES OF DEPARTMENT OF COMMERCE**

- Sec. 201. Economic development.
- Sec. 202. Export control functions.
- Sec. 203. National security functions.
- Sec. 204. International trade functions.
- Sec. 205. Patent and Trademark Office.
- Sec. 206. Technology Administration.
- Sec. 207. Reorganization of the Bureau of the Census.
- Sec. 208. Reorganization of the Bureau of Economic Analysis.
- Sec. 209. Terminated functions of NTIA.
- Sec. 210. Transfer of spectrum management functions.
- Sec. 211. National Oceanic and Atmospheric Administration.
- Sec. 212. Miscellaneous abolishments.
- Sec. 213. Effective date.
- Sec. 214. Sense of Congress regarding user fees.

**TITLE III—MISCELLANEOUS PROVISIONS**

- Sec. 301. References.
- Sec. 302. Exercise of authorities.
- Sec. 303. Savings provisions.
- Sec. 304. Transfer of assets.
- Sec. 305. Delegation and assignment.
- Sec. 306. Authority of Administrator with respect to functions transferred.
- Sec. 307. Proposed changes in law.
- Sec. 308. Certain vesting of functions considered transfers.
- Sec. 309. Definitions.
- Sec. 310. Limitation on annual expenditures for continued functions.

1           **TITLE I—ABOLISHMENT OF**  
2           **DEPARTMENT OF COMMERCE**

3           **SEC. 101. REESTABLISHMENT OF DEPARTMENT AS COM-**  
4                           **MERCE PROGRAMS RESOLUTION AGENCY.**

5           (a) REESTABLISHMENT.—The Department of Com-  
6 merce is hereby redesignated as the Commerce Programs  
7 Resolution Agency, which shall be an independent agency  
8 in the executive branch of the Government.

9           (b) ADMINISTRATOR.—

10           (1) IN GENERAL.—There shall be at the head  
11 of the Agency an Administrator of the Agency, who  
12 shall be appointed by the President, by and with the  
13 advice and consent of the Senate. The Agency shall  
14 be administered under the supervision and direction  
15 of the Administrator. The Administrator shall re-  
16 ceive compensation at the rate prescribed for level II  
17 of the Executive Schedule under section 5313 of title  
18 5, United States Code.

19           (2) INITIAL APPOINTMENT OF ADMINIS-  
20 TRATOR.—Notwithstanding any other provision of  
21 this Act or any other law, the President may, at any  
22 time after the date of the enactment of this Act, ap-  
23 point an individual to serve as Administrator of the  
24 Commerce Programs Resolution Agency (who may  
25 be the Secretary of Commerce), as such position is

1 established under paragraph (1). An appointment  
2 under this paragraph may not be construed to affect  
3 the position of Secretary of Commerce or the au-  
4 thority of the Secretary before the effective date  
5 specified in section 109(a).

6 (c) DUTIES.—The Administrator shall be responsible  
7 for—

8 (1) the administration and wind-up, during the  
9 wind-up period, of all functions of the Administrator  
10 pursuant to section 102 and the other provisions of  
11 this Act;

12 (2) the administration and wind-up, during the  
13 wind-up period, of any outstanding obligations of the  
14 Federal Government under any programs terminated  
15 or repealed by this Act; and

16 (3) taking such other actions as may be nec-  
17 essary, before the termination date specified in sec-  
18 tion 106(d), to wind up any outstanding affairs of  
19 the Department of Commerce.

20 **SEC. 102. FUNCTIONS.**

21 Except to the extent a function is abolished or vested  
22 in another official or agency by this Act, the Administrator  
23 shall perform all functions that, immediately before the  
24 effective date specified in section 109(a), were functions  
25 of the Department of Commerce (or any office of the De-

1 partment) or were authorized to be performed by the Sec-  
2 retary of Commerce or any other officer or employee of  
3 the Department in the capacity as such officer or em-  
4 ployee.

5 **SEC. 103. DEPUTY ADMINISTRATOR.**

6 The Agency shall have a Deputy Administrator, who  
7 shall—

8 (1) be appointed by and report to the Adminis-  
9 trator; and

10 (2) shall perform such functions as may be del-  
11 egated by the Administrator.

12 **SEC. 104. CONTINUATION OF SERVICE OF DEPARTMENT**  
13 **OFFICERS.**

14 (a) CONTINUATION OF SERVICE OF SECRETARY.—

15 The individual serving on the effective date specified in  
16 section 109(a) as the Secretary of Commerce may serve  
17 and act as Administrator until the date an individual is  
18 appointed under this title to the position of Administrator,  
19 or until the end of the 120-day period provided for in sec-  
20 tion 3348 of title 5, United States Code (relating to limita-  
21 tions on the period of time a vacancy may be filled tempo-  
22 rarily), whichever is earlier.

23 (b) CONTINUATION OF SERVICE OF OTHER OFFI-  
24 CERS.—An individual serving on the effective date speci-  
25 fied in section 109(a) as an officer of the Department of

1 Commerce other than the Secretary of Commerce may  
2 continue to serve and act in an equivalent capacity in the  
3 Agency until the date an individual is appointed under this  
4 title to the position of Administrator, or until the end of  
5 the 120-day period provided for in section 3348 of title  
6 5, United States Code (relating to limitations on the pe-  
7 riod of time a vacancy may be filled temporarily) with re-  
8 spect to that appointment, whichever is earlier.

9 (c) COMPENSATION FOR CONTINUED SERVICE.—Any  
10 person—

11 (1) who serves as the Administrator under sub-  
12 section (a), or

13 (2) who serves under subsection (b),

14 after the effective date specified in section 109(a) and be-  
15 fore the first appointment of a person as Administrator  
16 shall continue to be compensated for so serving at the rate  
17 at which such person was compensated before such effec-  
18 tive date.

19 **SEC. 105. REORGANIZATION.**

20 The Administrator may allocate or reallocate any  
21 function of the Agency pursuant to this Act among the  
22 officers of the Agency, and may establish, consolidate,  
23 alter, or discontinue in the Commerce Programs Resolu-  
24 tion Agency any organizational entities that were entities

1 of the Department of Commerce, as the Administrator  
2 considers necessary or appropriate.

3 **SEC. 106. ABOLISHMENT OF COMMERCE PROGRAMS RESO-**  
4 **LUTION AGENCY.**

5 (a) **IN GENERAL.**—Effective on the termination date  
6 specified in subsection (d), the Commerce Programs Reso-  
7 lution Agency is abolished.

8 (b) **ABOLITION OF FUNCTIONS.**—Except for func-  
9 tions transferred or otherwise continued by this Act, all  
10 functions that, immediately before the termination date  
11 specified in subsection (d), were functions of the Com-  
12 merce Programs Resolution Agency are abolished effective  
13 on that termination date.

14 (c) **PLAN FOR WINDING UP AFFAIRS.**—Not later  
15 than the effective date specified in section 109(a), the  
16 President shall submit to the Congress a plan for winding  
17 up the affairs of the Agency in accordance with this Act  
18 and by not later than the termination date specified in  
19 subsection (d).

20 (d) **TERMINATION DATE.**—The termination date  
21 under this subsection is the date that is 3 years after the  
22 date of the enactment of this Act.

23 **SEC. 107. GAO REPORT.**

24 Not later than 180 days after the date of enactment  
25 of this Act, the Comptroller General of the United States

1 shall submit to the Congress a report which shall include  
2 recommendations for the most efficient means of achiev-  
3 ing, in accordance with this Act—

4 (1) the complete abolishment of the Depart-  
5 ment of Commerce; and

6 (2) the termination or transfer or other con-  
7 tinuation of the functions of the Department of  
8 Commerce.

9 **SEC. 108. CONFORMING AMENDMENTS.**

10 (a) **PRESIDENTIAL SUCCESSION.**—Section 19(d)(1)  
11 of title 3, United States Code, is amended by striking  
12 “Secretary of Commerce.”

13 (b) **EXECUTIVE DEPARTMENTS.**—Section 101 of title  
14 5, United States Code, is amended by striking the follow-  
15 ing item:

16 “The Department of Commerce.”

17 (c) **SECRETARY’S COMPENSATION.**—Section 5312 of  
18 title 5, United States Code, is amended by striking the  
19 following item:

20 “Secretary of Commerce.”

21 (d) **COMPENSATION FOR POSITIONS AT LEVEL III.**—  
22 Section 5314 of title 5, United States Code, is amended—

23 (1) by striking the following item:

24 “Under Secretary of Commerce, Under Sec-  
25 retary of Commerce for Economic Affairs, Under

1 Secretary of Commerce for Export Administration  
2 and Under Secretary of Commerce for Travel and  
3 Tourism.”;

4 (2) by striking<sup>1</sup> the following item:

5 “Under Secretary of Commerce for Oceans and  
6 Atmosphere, the incumbent of which also serves as  
7 Administrator of the National Oceanic and Atmos-  
8 pheric Administration.”; and

9 (3) by striking the following item:

10 “Under Secretary of Commerce for Tech-  
11 nology.”.

12 (e) COMPENSATION FOR POSITIONS AT LEVEL IV.—  
13 Section 5315 of title 5, United States Code, is amended—

14 (1) by striking the following items:

15 “Assistant Secretaries of Commerce (11).”;

16 (2) by striking the following item:

17 “General Counsel of the Department of Com-  
18 merce.”;

19 (3) by striking the following item:

20 “Associate Secretary of Commerce for Oceans  
21 and Atmosphere, the incumbent of which also serves  
22 as Deputy Administrator of the National Oceanic  
23 and Atmospheric Administration.”;

24 (4) by striking the following item:

1           “Director, National Institute of Standards and  
2           Technology, Department of Commerce.”;

3           (5) by striking the following item:

4           “Inspector General, Department of Com-  
5           merce.”;

6           (6) by striking the following item:

7           “Chief Financial Officer, Department of Com-  
8           merce.”; and

9           (7) by striking the following item:

10          “Director, Bureau of the Census, Department  
11          of Commerce.”.

12          (f) COMPENSATION FOR POSITIONS AT LEVEL V.—

13          Section 5316 of title 5, United States Code, is amended—

14          (1) by striking the following item:

15          “Director, United States Travel Service, De-  
16          partment of Commerce.”; and

17          (2) by striking the following item:

18          “National Export Expansion Coordinator, De-  
19          partment of Commerce.”.

20          (g) INSPECTOR GENERAL ACT OF 1978.—The In-  
21          specter General Act of 1978 (5 U.S.C. App.) is amend-  
22          ed—

23          (1) in section 9(a)(1), by striking subparagraph

24          (B);

1 (2) in section 11(1), by striking "Commerce,";

2 and

3 (3) in section 11(2), by striking "Commerce,";

4 **SEC. 109. EFFECTIVE DATE.**

5 (a) IN GENERAL.—Except as provided in subsection  
6 (b), this title shall take effect on the date that is 6 months  
7 after the date of the enactment of this Act.

8 (b) PROVISIONS EFFECTIVE ON DATE OF ENACT-  
9 MENT.—The following provisions of this title shall take ef-  
10 fect on the date of the enactment of this Act:

11 (1) Section 101(b).

12 (2) Section 106(c).

13 (3) Section 107.

14 **TITLE II—DISPOSITION OF PAR-**  
15 **TICULAR PROGRAMS, FUNC-**  
16 **TIONS, AND AGENCIES OF DE-**  
17 **PARTMENT OF COMMERCE**

18 **SEC. 201. ECONOMIC DEVELOPMENT.**

19 (a) TERMINATED FUNCTIONS.—The Public Works  
20 and Economic Development Act of 1965 (42 U.S.C. 3121  
21 et seq.) is repealed.

22 (b) TRANSFER OF FINANCIAL OBLIGATIONS OWED  
23 TO THE DEPARTMENT.—There are transferred to the Sec-  
24 retary of the Treasury the loans, notes, bonds, debentures,  
25 securities, and other financial obligations owned by the

1 Department of Commerce under the Public Works and  
2 Economic Development Act of 1965, together with all as-  
3 sets or other rights (including security interests) incident  
4 thereto, and all liabilities related thereto. There are as-  
5 signed to the Secretary of the Treasury the functions,  
6 powers, and abilities vested in or delegated to the Sec-  
7 retary of Commerce or the Department of Commerce to  
8 manage, service, collect, sell, dispose of, or otherwise real-  
9 ize proceeds on obligations owed to the Department of  
10 Commerce under authority of such Act with respect to any  
11 loans, obligations, or guarantees made or issued by the  
12 Department of Commerce pursuant to such Act.

13 (c) AUDIT.—Not later than 18 months after the date  
14 of the enactment of this Act, the Comptroller General shall  
15 conduct an audit of all grants made or issued by the De-  
16 partment of Commerce under the Public Works and Eco-  
17 nomic Development Act of 1965 in fiscal year 1995 and  
18 all loans, obligations, and guarantees and shall transmit  
19 to Congress a report on the results of such audit.

20 **SEC. 202. EXPORT CONTROL FUNCTIONS.**

21 (a) TRANSFER TO SECRETARY OF STATE.—

22 (1) IN GENERAL.—Except as provided in this  
23 section, all functions of the Secretary of Commerce,  
24 the Under Secretary of Commerce for Export Ad-  
25 ministration, the 2 Assistant Secretaries of Com-

1 merce appointed under section 15(a) of the Export  
2 Administration Act of 1979 (50 U.S.C. 2414(a)),  
3 and the Department of Commerce, on the day before  
4 the effective date specified in section 109(a), under  
5 the Export Administration Act of 1979 are trans-  
6 ferred to the Secretary of State.

7 (2) CONSULTATION WITH USTR.—The Sec-  
8 retary of State shall consult with the United States  
9 Trade Representative with respect to licensing deci-  
10 sions under the Export Administration Act of 1979.

11 (b) SHORT SUPPLY CONTROLS.—All functions of the  
12 Secretary of Commerce, on the day before the effective  
13 date specified in section 109(a), under section 7 of the  
14 Export Administration Act of 1979 (50 U.S.C. 2406), and  
15 under all other provisions of that Act to the extent that  
16 such provisions apply to section 7, are transferred to the  
17 President.

18 (c) ENFORCEMENT.—

19 (1) GENERAL TRANSFER.—All functions of the  
20 Secretary of Commerce and the Department of Com-  
21 merce, on the day before the effective date specified  
22 in section 109(a), under sections 11(c), 12, and 13  
23 (c), (d), and (e) of the Export Administration Act of  
24 1979 (50 U.S.C. App. 2410(c), 2411, and 2412 (c),

1 (d), and (e)) are transferred to the Secretary of the  
2 Treasury.

3 (2) TRANSFER OF ENFORCEMENT PERSON-  
4 NEL.—Not more than 60 United States special  
5 agents of the Bureau of Export Administration of  
6 the Department of Commerce who, on the day be-  
7 fore the effective date specified in section 109(a),  
8 were assigned to perform functions under section  
9 12(a) of the Export Administration Act of 1979 may  
10 be transferred to the Customs Service to carry out  
11 functions transferred by paragraph (1). The Direc-  
12 tor of the Office of Management and Budget shall  
13 determine the special agents to be transferred under  
14 this paragraph.

15 (d) ANTI-BOYCOTT COMPLIANCE.—All functions of  
16 the Secretary of Commerce and the Department of Com-  
17 merce, on the day before the effective date specified in  
18 section 109(a), under section 8 of the Export Administra-  
19 tion Act of 1979 (50 U.S.C. 2407), and under all other  
20 provisions of that Act to the extent that such provisions  
21 apply to section 8, are transferred to the Attorney Gen-  
22 eral.

23 (e) TERMINATION OF OFFICE OF FOREIGN AVAIL-  
24 ABILITY; APPOINTMENT OF INDUSTRIES BOARD.—

1           (1) TERMINATION OF OFFICE.—(A) The Office  
2 of Foreign Availability established under section  
3 5(f)(6) of the Export Administration Act of 1979  
4 (50 U.S.C. 2404(f)(6)) is abolished.

5           (2) CONFORMING AMENDMENT.—Section 5(f)  
6 of the Export Administration Act of 1979 (50  
7 U.S.C. App. 2404(f)) is amended by striking para-  
8 graph (6).

9           (3) APPOINTMENT OF INDUSTRIES BOARD.—  
10 The President shall appoint an industries board,  
11 composed of representatives of industries affected by  
12 matters relating to foreign availability under the Ex-  
13 port Administration Act of 1979, to advise the Sec-  
14 retary of State with respect to such matters, except  
15 that no Federal funds may be made available to the  
16 industries board to carry out its functions.

17          (f) BUYING POWER MAINTENANCE ACCOUNT.—The  
18 authority of the Secretary of Commerce under section 108  
19 of title I of Public Law 100-202 (101 Stat. 1329-7) to  
20 establish a Buying Power Maintenance account is trans-  
21 ferred to the Secretary of State for purposes of carrying  
22 out functions under the Export Administration Act of  
23 1979 that are transferred to the Secretary of State under  
24 this section.

25          (g) TECHNICAL AND CONFORMING AMENDMENTS.—

1 (1) Section 15(a) of the Export Administration  
2 Act of 1979 (50 U.S.C. 2414(a)) is repealed.

3 (2) The Office of the Under Secretary of Com-  
4 merce for Export Administration is abolished.

5 **SEC. 203. NATIONAL SECURITY FUNCTIONS.**

6 (a) **TRANSFER OF FUNCTIONS.**—Functions of the  
7 Secretary of Commerce immediately before the effective  
8 date specified in section 109(a)—

9 (1) under section 232 of the Trade Expansion  
10 Act of 1962 (19 U.S.C. 1862) are transferred to the  
11 International Trade Commission;

12 (2) under section 309 of the Defense Produc-  
13 tion Act of 1950 (50 U.S.C. App. 2099) are trans-  
14 ferred to the Secretary of Defense; and

15 (3) under section 722 of the Defense Produc-  
16 tion Act of 1950 (50 U.S.C. App. 2171) are trans-  
17 ferred to the Secretary of the Treasury.

18 (b) **NATIONAL DEFENSE TECHNOLOGY AND INDUS-**  
19 **TRIAL BASE COUNCIL.**—Section 2502(b) of title 10, Unit-  
20 ed States Code, is amended by striking paragraph (3) and  
21 redesignating paragraphs (4) and (5) as paragraphs (3)  
22 and (4), respectively.

23 (c) **APPOINTMENT OF COMMITTEES OF INDUSTRY**  
24 **REPRESENTATIVES.**—The President should appoint com-  
25 mittees composed of representatives of appropriate indus-

1 tries to advise the National Security Council with respect  
2 to those matters affecting industry addressed by the Sec-  
3 retary of Commerce to the National Security Council be-  
4 fore the effective date specified in section 109(a).

5 **SEC. 204. INTERNATIONAL TRADE FUNCTIONS.**

6 (a) **TARIFF ACT OF 1930; URUGUAY ROUND AGREE-**  
7 **MENTS ACT.—**

8 (1) **TRANSFER TO UNITED STATES TRADE REP-**  
9 **RESENTATIVE.—**All functions of the International  
10 Trade Administration of the Department of Com-  
11 merce, immediately before the effective date speci-  
12 fied in section 109(a), under titles III and VII of the  
13 Tariff Act of 1930, and all functions of the admin-  
14 istering authority or the Secretary of Commerce  
15 under the Uruguay Round Agreements Act, are  
16 transferred to the United States Trade Representa-  
17 tive.

18 (2) **CONFORMING AMENDMENT.—**Section  
19 771(1) of the Tariff Act of 1930 (19 U.S.C.  
20 1677(1)) is amended by striking “Secretary of Com-  
21 merce” and inserting “United States Trade Rep-  
22 resentative”.

23 (b) **FOREIGN TRADE ZONES BOARD.—**Subsection (b)  
24 of the first section of the Act of June 18, 1934 (commonly  
25 known as the “Foreign Trade Zones Act”) (19 U.S.C.

1 81a(b)) is amended by striking “Secretary of Commerce,  
2 who shall be chairman and executive officer of the Board,  
3 the Secretary of the Treasury” and inserting “Secretary  
4 of the Treasury, who shall be chairman and executive offi-  
5 cer of the Board, the United States Trade Representa-  
6 tive”.

7 (c) UNITED STATES AND FOREIGN COMMERCIAL  
8 SERVICE.—

9 (1) RENAMING AND ABOLITION OF CERTAIN  
10 FUNCTIONS.—The United States and Foreign Com-  
11 mercial Service shall, upon the effective date speci-  
12 fied in section 109(a), be known as the “United  
13 States Foreign Commercial Service” (hereafter in  
14 this subsection referred to as the “Commercial Serv-  
15 16 ice”). All operations of the Commercial Service in  
17 the United States (other than those performed at  
18 the headquarters office referred to in section  
19 2301(e) of the Export Enhancement Act of 1988  
20 (15 U.S.C. 4721(e))) with respect to the foreign op-  
erations of the Commercial Service) are abolished.

21 (2) TRANSFER TO USTR.—The Commercial  
22 Service and its functions are transferred to the Unit-  
23 ed States Trade Representative. All functions per-  
24 formed immediately before the effective date speci-  
25 fied in section 109(a) by the Secretary of Commerce

1 or the Department of Commerce with respect to the  
2 Commercial Service are transferred to the United  
3 States Trade Representative.

4 (3) DIRECTOR GENERAL.—(A) The head of the  
5 Commercial Service shall, as of the effective date  
6 specified in section 109(a), be the Director General  
7 of the United States Foreign Commercial Service.

8 (B) Section 5315 of title 5, United States Code,  
9 is amended by striking “Assistant Secretary of Com-  
10 merce and Director General of the United States  
11 and Foreign Commercial Service” and inserting “Di-  
12 rector General of the United States Foreign Com-  
13 mercial Service.”.

14 (C) The individual serving as Assistant Sec-  
15 retary of Commerce and Director General of the  
16 United States and Foreign Commercial Service im-  
17 mediately before the effective date specified in sec-  
18 tion 109(a) may serve as the Director General of the  
19 United States Foreign Commercial Service on and  
20 after such effective date until a successor has taken  
21 office. Compensation for any service under this sub-  
22 paragraph shall be at the rate at which the individ-  
23 ual was compensated immediately before the effec-  
24 tive date specified in section 109(a).

1           (4) TRANSFER OF COMMERCIAL SERVICE OFFI-  
2           CERS.—The transfer to the United States Trade  
3           Representative pursuant to this section of any Com-  
4           mercial Service Officer serving immediately before  
5           the effective date specified in section 109(a) shall  
6           not cause such officer to be reduced in rank, grade,  
7           or compensation.

8           (d) EXPORT PROMOTION PROGRAMS.—

9           (1) TRANSFER.—All export promotion pro-  
10          grams (as defined in section 201(d) of the Export  
11          Administration Amendments Act of 1985 (15 U.S.C.  
12          4051(d))) carried out by the Secretary of Commerce  
13          or the Department of Commerce immediately before  
14          the effective date specified in section 109(a) are  
15          transferred to the United States Trade Representa-  
16          tive.

17          (2) PRIVATE FUNDING.—With respect to any  
18          program transferred under paragraph (1), no funds  
19          made available to the United States Trade Rep-  
20          resentative may be used in carrying out such pro-  
21          gram, but the United States Trade Representative  
22          may require the persons to whom services are pro-  
23          vided by the Office of the United States Trade Rep-  
24          resentative under such program to pay for such serv-  
25          ices.

1           (e) TRADE INFORMATION.—All functions of the Sec-  
2 retary of Commerce under the International Investment  
3 and Trade in Services Survey Act (22 U.S.C. 3101 and  
4 following) are transferred to the Secretary of the Treas-  
5 ury.

6           (f) INTERNATIONAL ECONOMIC POLICY.—All func-  
7 tions performed by the Assistant Secretary of Commerce  
8 for International Economic Policy and the Office of Inter-  
9 national Economic Policy of the Department of Commerce  
10 immediately before the effective date specified in section  
11 109(a) are abolished.

12           (g) FUNCTIONS WITH RESPECT TO TEXTILE AGREE-  
13 MENTS.—

14           (1) TRANSFER OF FUNCTIONS.—Notwithstand-  
15 ing the provisions of Executive Order 11651 and  
16 Executive Order 12475 (7 U.S.C. 1854 note), the  
17 functions of the Committee for the Implementation  
18 of Textile Agreements (hereafter in this subsection  
19 referred to as “CITA”) are transferred as follows:

20           (A) All functions related to policy formula-  
21 tion for textile and apparel trade, including the  
22 negotiation and implementation of textile and  
23 apparel trade agreements, and all related activi-  
24 ties performed by CITA immediately before the  
25 effective date specified in section 109(a), and

1 not specified in paragraphs (2) through (4), are  
2 transferred to the United States Trade Rep-  
3 resentative.

4 (B) All functions related to economic anal-  
5 ysis of textile and apparel trade patterns, deter-  
6 mination of serious damage, or actual threat  
7 thereof, to domestic United States industry and  
8 related safeguards matters, including the tran-  
9 sitional safeguard provisions under Article 6 of  
10 the Agreement on Textiles and Clothing re-  
11 ferred to in section 101(d)(4) of the Uruguay  
12 Round Agreements Act (19 U.S.C. 3511(d)(4)),  
13 and analysis of the impact of foreign tariff and  
14 nontariff barriers on textile and apparel trade,  
15 and all related activities performed by CITA  
16 immediately before the effective date specified  
17 in section 109(a), are transferred to the Inter-  
18 national Trade Commission.

19 (C) All functions related to the promotion  
20 and foreign market expansion of United States  
21 textile and apparel production are transferred  
22 to the United States Foreign Commercial Serv-  
23 ice.

24 (D) All functions related to monitoring  
25 quota utilization and enforcement, and actions

1 to address the circumvention of quotas, as de-  
2 scribed in the statement of administrative ac-  
3 tion accompanying the Uruguay Round Agree-  
4 ments (as defined in section 2 of the Uruguay  
5 Round Agreements Act (19 U.S.C. 3501)), are  
6 transferred to the Secretary of the Treasury.

7 (2) ABOLITION OF CITA.—CITA is abolished.

8 (h) FAIR TRADE IN AUTO PARTS.—All functions of  
9 the Secretary of Commerce under the Fair Trade in Auto  
10 Parts Act of 1988 (15 U.S.C. 4701 and following) are  
11 transferred to the International Trade Commission.

12 (i) OTHER TRADE FUNCTIONS.—

13 (1) INTERAGENCY TRADE ORGANIZATION.—The  
14 President shall provide for the direct participation  
15 by representatives of industry on the Interagency  
16 Trade Organization established under section 242 of  
17 the Trade Expansion Act of 1962 (19 U.S.C. 1872),  
18 to carry out appropriate functions of the Secretary  
19 of Commerce as a member of such organization be-  
20 fore the effective date specified in section 109(a).

21 (2) EXPORT TRADING COMPANIES.—(A) The  
22 functions of the Secretary of Commerce under the  
23 Export Trading Company Act of 1982 (15 U.S.C.  
24 4001–4003), and the Office of Export Trade estab-  
25 lished under section 104 of that Act, are abolished.

1 (B) The functions of the Secretary of Com-  
2 merce under title III of the Act of October 8, 1982  
3 (15 U.S.C. 4011 and following), are transferred to  
4 the Secretary of the Treasury.

5 (C) CONFORMING AMENDMENTS.—(i) The Ex-  
6 port Trading Company Act of 1982 (15 U.S.C.  
7 4001–4003) is repealed.

8 (ii) The section heading for section 301 of the  
9 Act of October 8, 1982 (15 U.S.C. 4011), is amend-  
10 ed by striking “COMMERCE” and inserting “TREAS-  
11 URY”.

12 (iii) Section 311(7) of the Act of October 8,  
13 1982 (15 U.S.C. 4021), is amended by striking  
14 “Commerce” and inserting “Treasury”.

15 (j) APPOINTMENT OF INDUSTRIES BOARDS.—The  
16 President shall appoint industries boards, composed of  
17 representatives of industries in the private sector, to ad-  
18 vise the Secretary of the Treasury and the United States  
19 Trade Representative with respect to functions transferred  
20 to them under this section.

21 (k) GIFTS AND BEQUESTS.—

22 (1) IN GENERAL.—The Secretary of State, the  
23 Secretary of the Treasury, and the United States  
24 Trade Representative are authorized to accept, hold,  
25 administer, and utilize gifts and bequests of prop-

1       erty, both real and personal, for the purpose of aid-  
2       ing or facilitating the performance of functions  
3       transferred to them under this section and section  
4       202. Gifts and bequests of money and the proceeds  
5       from sales of other property received as gifts or be-  
6       quests shall be deposited in the United States Treas-  
7       ury in a separate fund and shall be disbursed on  
8       order of the Secretary of State, the Secretary of the  
9       Treasury, or the United States Trade Representa-  
10      tive. Property accepted pursuant to this paragraph,  
11      and the proceeds thereof, shall be used as nearly as  
12      possible in accordance with the terms of the gift or  
13      bequest.

14           (2) TAX TREATMENT.—For the purpose of Fed-  
15      eral income, estate, and gift taxes, and State taxes,  
16      property accepted under subsection (a) shall be con-  
17      sidered a gift or bequest to or for use of the United  
18      States.

19           (3) INVESTMENT.—The Secretary of the Treas-  
20      ury may invest and reinvest in securities of the  
21      United States or in securities guaranteed as to prin-  
22      cipal and interest by the United States any moneys  
23      contained in the fund provided for in subsection (a).  
24      Income accruing from such securities, and from any  
25      other property held by the Secretary of State, the

1 Secretary of the Treasury, or the United States  
 2 Trade Representative pursuant to subsection (a),  
 3 shall be deposited to the credit of the fund, and shall  
 4 be disbursed upon order of the Secretary of State,  
 5 the Secretary of the Treasury, or the United States  
 6 Trade Representative.

7 (l) INFORMATION SHARING.—It is the sense of the  
 8 Congress that any department or agency of the United  
 9 States that compiles information on international econom-  
 10 ics or trade make that information available to other de-  
 11 partments and agencies performing functions relating to  
 12 international trade.

13 (m) TRADE ADJUSTMENT ASSISTANCE FOR  
 14 FIRMS.—Chapter 3 of title II of the Trade Act of 1974  
 15 (19 U.S.C. 2341 and following) and the items relating to  
 16 such chapter in the table of contents for that Act, are re-  
 17 pealed.

18 **SEC. 205. PATENT AND TRADEMARK OFFICE.**

19 (a) TRANSFER TO DEPARTMENT OF JUSTICE.—Ef-  
 20 fective as of the date specified in section 109(a)—

21 (1) the Patent and Trademark Office shall be  
 22 transferred to the Department of Justice; and

23 (2) all functions which, immediately before such  
 24 date, are functions of the Secretary of Commerce  
 25 under title 35, United States Code, or any other

1 provision of law with respect to the functions of the  
2 Patent and Trademark Office, are transferred to the  
3 Attorney General.

4 (b) FUNDING.—

5 (1) COSTS PAID FROM FEES.—All costs of the  
6 activities of the Patent and Trademark Office shall  
7 be paid from fees paid to the Office under title 35,  
8 United States Code, the Act of July 5, 1946 (com-  
9 monly known as the “Trademark Act of 1946”) (15  
10 U.S.C. 1051 and following), section 10101 of the  
11 Omnibus Budget Reconciliation Act of 1990 (35  
12 U.S.C. 41 note), or other provision of law.

13 (2) FUNDS AVAILABLE WITHOUT APPROPRIA-  
14 TION.—(A) Section 42(c) of title 35, United States  
15 Code, is amended by striking “to carry out, to the  
16 extent provided in appropriation Acts,” and insert-  
17 ing “, without appropriation, to carry out”.

18 (B) Section 10101(b)(2)(B) of the Omnibus  
19 Budget Reconciliation Act of 1990 (35 U.S.C. 41  
20 note) is amended by striking “to the extent provided  
21 in appropriation Acts” and inserting “without ap-  
22 propriation”.

23 (c) ADJUSTMENT OF FEES.—Section 41(f) of title  
24 31, United States Code, is amended to read as follows:

1       “(f) The Commissioner may adjust the fees estab-  
2 lished under this section on October 1 of each year to  
3 cover the estimated cost to the activities of the Office.”.

4       (d) SERVICE OF INCUMBENTS.—Those individuals  
5 serving as Commissioner of Patents and Trademarks,  
6 Deputy Commissioner of Patents and Trademarks, Assist-  
7 ant Commissioner of Patents, and Assistant Commis-  
8 sioner of Trademarks, immediately before the effective  
9 date specified in section 109(a), may continue in such of-  
10 fice on and after such effective date until a successor has  
11 taken office. Compensation for any service under this sub-  
12 section shall be at the rate at which the individual was  
13 compensated immediately before the effective date speci-  
14 fied in section 109(a).

15       (e) RULE OF CONSTRUCTION.—For purposes of title  
16 III, the transfer of the Patent and Trademark Office to  
17 the Department of Justice under this section shall be  
18 treated as if it involved a transfer of functions from one  
19 office to another.

20       (f) TECHNICAL AND CONFORMING AMENDMENTS.—

21               (1) Section 1 of title 35, United States Code,  
22       is amended to read as follows:

23       **“§ 1. Establishment**

24       “The Patent and Trademark Office is an agency of  
25 the United States within the Department of Justice, where

1 records, books, drawings, specifications, and other papers  
2 and things pertaining to patents and trademark registra-  
3 tions shall be kept and preserved, except as otherwise pro-  
4 vided by law.”.

5 (2) Title 35, United States Code, is amended by  
6 striking “Secretary of Commerce” each place it ap-  
7 pears and inserting “Attorney General”.

8 (3) Section 3 of title 35, United States Code,  
9 is amended by striking subsection (d).

10 (4) Section 5316 of title 5, United States Code,  
11 is amended by striking

12 “Commissioner of Patents, Department of  
13 Commerce.”

14 and inserting

15 “Commissioner of Patents and Trademarks.”.

16 **SEC. 206. TECHNOLOGY ADMINISTRATION.**

17 (a) **TECHNOLOGY ADMINISTRATION.**—

18 (1) **GENERAL RULE.**—Except as otherwise pro-  
19 vided in this section, the Technology Administration  
20 shall be terminated on the effective date specified in  
21 section 213(a).

22 (2) **OFFICE OF TECHNOLOGY POLICY.**—The Of-  
23 fice of Technology Policy is hereby terminated.

24 (b) **NATIONAL INSTITUTE OF STANDARDS AND**  
25 **TECHNOLOGY.**—

1           (1) GENERAL RULE.—Except as otherwise pro-  
2           vided in this subsection, the National Institute of  
3           Standards and Technology (in this subsection re-  
4           ferred to as the “Institute”) shall be transferred to  
5           the National Science Foundation.

6           (2) FUNCTIONS OF DIRECTOR.—Except as oth-  
7           erwise provided in this subsection, upon the transfer  
8           under paragraph (1), the Director of the Institute  
9           shall perform all functions relating to the Institute  
10          that, immediately before the effective date specified  
11          in section 213(a), were functions of the Secretary of  
12          Commerce or the Under Secretary of Commerce for  
13          Technology, including the administration of section  
14          17 of the Stevenson-Wydler Technology Innovation  
15          Act of 1980.

16          (3) LABORATORIES.—(A) The laboratories of  
17          the Institute shall be transferred to the Commerce  
18          Programs Resolution Agency.

19          (B) The Commerce Programs Resolution Agen-  
20          cy shall attempt to sell the property of the labora-  
21          tories of the Institute, within 18 months after the  
22          effective date specified in section 213(a), to a private  
23          sector entity intending to perform substantially the  
24          same functions as were performed by the labora-

1       tories of the Institute immediately before such effective date.

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3           (C) If no offer to purchase property under subparagraph (B) is received within the 18-month period described in such subparagraph, the Commerce Programs Resolution Agency shall submit a report to the Congress containing recommendations on the appropriate disposition of the property and functions of the laboratories of the Institute.

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10       (e) NATIONAL TECHNICAL INFORMATION SERVICE.—

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12           (1) SALE OF PROPERTY.—The Commerce Programs Resolution Agency shall attempt to sell the property of the National Technical Information Service, within 18 months after the effective date specified in section 213(a), to a private sector entity intending to perform substantially the same functions as were performed by the National Technical Information Service immediately before such effective date.

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21           (2) RECOMMENDATIONS.—If no offer to purchase property under paragraph (1) is received within the 18-month period described in such paragraph, the Commerce Programs Resolution Agency shall submit a report to the Congress containing rec-

1       ommendations on the appropriate disposition of the  
2       property and functions of the National Technical In-  
3       formation Service.

4               (3) FUNDING.—No Federal funds may be ap-  
5       propriated for the National Technical Information  
6       Service for any fiscal year after fiscal year 1995.

7       (d) AMENDMENTS.—

8               (1) NATIONAL INSTITUTE OF STANDARDS AND  
9       TECHNOLOGY ACT.—The National Institute of  
10       Standards and Technology Act (15 U.S.C. 271 et  
11       seq.) is amended—

12               (A) in section 2(b), by striking paragraph  
13       (1) and redesignating paragraphs (2) through  
14       (11) as paragraphs (1) through (10), respec-  
15       tively;

16               (B) in section 2(d), by striking “, including  
17       the programs established under sections 25, 26,  
18       and 28 of this Act”;

19               (C) in section 10, by striking “Advanced”  
20       in both the section heading and subsection (a),  
21       and inserting in lieu thereof “Standards and”;  
22       and

23               (D) by striking sections 24, 25, 26, and  
24       28.

1           (2) STEVENSON-WYDLER TECHNOLOGY INNOVA-  
2           TION ACT OF 1980.—The Stevenson-Wydler Tech-  
3           nology Innovation Act of 1980 (15 U.S.C. 3701 et  
4           seq.) is amended—

5                   (A) in section 3, by striking paragraph (2)  
6                   and redesignating paragraphs (3) through (5)  
7                   as paragraphs (2) through (4), respectively;

8                   (B) in section 4, by striking paragraphs  
9                   (1), (4), and (13) and redesignating paragraphs  
10                  (2), (3), (5), (6), (7), (8), (9), (10), (11), and  
11                  (12) as paragraphs (1) through (10), respec-  
12                  tively;

13                  (C) by striking sections 5, 6, 7, 8, 9, and  
14                  10;

15                  (D) in section 11—

16                   (i) by striking “, the Federal Labora-  
17                   tory Consortium for Technology Transfer,”  
18                   in subsection (c)(3);

19                   (ii) by striking “and the Federal Lab-  
20                   oratory Consortium for Technology Trans-  
21                   fer” in subsection (d)(2);

22                   (iii) by striking “, and refer such re-  
23                   quests” and all that follows through “avail-  
24                   able to the Service” in subsection (d)(3);  
25                   and

1 (iv) by striking subsection (e); and

2 (E) in section 17—

3 (i) by striking “Subject to paragraph  
4 (2), separate” and inserting in lieu thereof  
5 “Separate” in subsection (e)(1);

6 (ii) by striking paragraph (2) of sub-  
7 section (e);

8 (iii) by redesignating paragraph (3) of  
9 subsection (e) as paragraph (2); and

10 (iv) by inserting “administrative”  
11 after “funds to carry out” in subsection  
12 (f).

13 **SEC. 207. REORGANIZATION OF THE BUREAU OF THE**  
14 **CENSUS.**

15 (a) **IN GENERAL.**—Effective as of the date specified  
16 in section 213(a)—

17 (1) the Bureau of the Census shall be trans-  
18 ferred to the Department of the Treasury; and

19 (2) all functions which, immediately before such  
20 date, are functions of the Secretary of Commerce  
21 under title 13, United States Code, shall be trans-  
22 ferred to the Secretary of the Treasury.

23 (b) **INTERIM SERVICE.**—The individual serving as the  
24 Director of the Census immediately before the reorganiza-  
25 tion under this section takes effect may continue serving

1 in that capacity until a successor has taken office. Com-  
2 pensation for any service under this subsection shall be  
3 at the rate at which such individual was compensated im-  
4 mediately before the effective date of the reorganization.

5 (c) SENSE OF THE CONGRESS.—It is the sense of the  
6 Congress that the Bureau of the Census should—

7 (1) make appropriate use of any authority af-  
8 forded to it by the Census Address List Improve-  
9 ment Act of 1994 (Public Law 103-430; 108 Stat.  
10 4393), and take measures to ensure the timely im-  
11 plementation of such Act; and

12 (2) streamline census questionnaires to promote  
13 savings in the collection and tabulation of data.

14 (d) AMENDMENTS.—Effective as of the date specified  
15 in section 213(a)—

16 (1) TRANSFER OF THE BUREAU TO THE DE-  
17 PARTMENT OF THE TREASURY.—(A) Section 2 of  
18 title 13, United States Code, is amended by striking  
19 “is continued as” through the period and inserting  
20 “is an agency within, and under the jurisdiction of,  
21 the Department of the Treasury.”.

22 (B) Subsection (e) of section 12 of the Act of  
23 February 14, 1903 (15 U.S.C. 1511(e)) is repealed.

24 (2) DEFINITION OF SECRETARY.—Title 13,  
25 United States Code, is amended in section 1(2) by

1 striking “Secretary of Commerce” and inserting  
2 “Secretary of the Treasury”.

3 (3) REFERENCES IN TITLE 13, UNITED STATES  
4 CODE, TO THE DEPARTMENT OF COMMERCE.—Title  
5 13, United States Code, is amended in sections 4,  
6 9(a), 23(b), 24(e), 44, 103, 132, 211, 213(b)(2),  
7 221, 222, 223, 224, 225(a), and 241 by striking  
8 “Department of Commerce” each place it appears  
9 and inserting “Department of the Treasury”.

10 (4) PROVISIONS RELATING TO THE SECRETARY  
11 OF THE TREASURY.—(A) Section 302 of title 13,  
12 United States Code, is amended by striking the last  
13 sentence thereof.

14 (B) Section 303 of title 13, United States Code,  
15 and the item relating to such section in the analysis  
16 for chapter 9 of such title are repealed.

17 (C) Section 304(a) of title 13, United States  
18 Code, is amended—

19 (i) by striking “Secretary of the Treasury”  
20 each place it appears and inserting “Secretary”;  
21 and

22 (ii) by striking “Secretary of Commerce”  
23 and inserting “Secretary”.

1 (D)(i) Section 401(a) of title 13, United States  
2 Code, is amended by striking “Secretary of Com-  
3 merce” and inserting “Secretary”.

4 (ii) Section 8(e) of the Foreign Direct Invest-  
5 ment and International Financial Data Improve-  
6 ments Act of 1990 (22 U.S.C. 3144(e)) is amended  
7 by striking “Secretary of Commerce” and inserting  
8 “Secretary of the Treasury”.

9 (iii) Section 401(a) of title 13, United States  
10 Code, is amended by striking “Department of Com-  
11 merce” and inserting “Federal Reserve System”.

12 (5) COMPENSATION FOR THE POSITION OF DI-  
13 RECTOR OF THE CENSUS.—Section 5315 of title 5,  
14 United States Code, as amended by paragraph (7)  
15 of section 108(e), is further amended by inserting  
16 (in lieu of the item struck by such paragraph) the  
17 following new item:

18 “Director of the Census, Department of the  
19 Treasury.”.

20 (6) CONFIDENTIALITY.—Section 9 of title 13,  
21 United States Code, is amended by adding at the  
22 end the following:

23 “(e)(1) Nothing in subsection (a)(3) shall be consid-  
24 ered to permit the disclosure of any matter or information  
25 to an officer or employee of the Department of the Treas-

1 ury who is not referred to in subchapter II if, immediately  
2 before the date specified in section 213(a) of the Depart-  
3 ment of Commerce Dismantling Act, such disclosure (if  
4 then made by an officer or employee of the Department  
5 of Commerce) would have been impermissible under this  
6 section (as then in effect).

7 “(2) Paragraph (1) shall not apply with respect to  
8 any disclosure made to the Secretary.”.

9 (e) **RULE OF CONSTRUCTION.**—For purposes of title  
10 III, the reorganization of the Bureau of the Census under  
11 this section shall be treated as if it involved a transfer  
12 of functions from one office to another.

13 **SEC. 208. REORGANIZATION OF THE BUREAU OF ECO-**  
14 **NOMIC ANALYSIS.**

15 (a) **IN GENERAL.**—Effective as of the date specified  
16 in section 213(a)—

17 (1) the Bureau of Economic Analysis shall be  
18 transferred to the Federal Reserve System; and

19 (2) all functions which, immediately before such  
20 date, are functions of the Secretary of Commerce  
21 with respect to the Bureau of Economic Analysis  
22 shall be transferred to the Chairman of the Board  
23 of Governors of the Federal Reserve System.

24 (b) **INTERIM SERVICE.**—The individual serving as the  
25 Director of the Bureau of Economic Analysis immediately

1 before the reorganization under this section takes effect  
2 may continue serving in that capacity until a successor  
3 has taken office. Compensation for any service under this  
4 subsection shall be at the rate at which such individual  
5 was compensated immediately before the effective date of  
6 the reorganization.

7 (c) REPORTS.—Not later than 18 months after the  
8 date of the enactment of this Act, the Director of the Bu-  
9 reau of Economic Analysis shall submit to the Congress  
10 a written report on—

11 (1) the availability of any private sector re-  
12 sources that may be capable of performing any or all  
13 of the functions of the Bureau of Economic Analy-  
14 sis, and the feasibility of having any such functions  
15 so performed; and

16 (2) the feasibility of implementing a system  
17 under which fees may be assessed by the Bureau of  
18 Economic Analysis in order to defray the costs of  
19 any services performed by the Bureau of Economic  
20 Analysis, when such services are performed other  
21 than on behalf of the Federal Government or an  
22 agency or instrumentality thereof.

23 (d) RULE OF CONSTRUCTION.—For purposes of title  
24 III, the reorganization of the Bureau of Economic Analy-

1 sis under this section shall be treated as if it involved a  
2 transfer of functions from one office to another.

3 **SEC. 209. TERMINATED FUNCTIONS OF NTIA.**

4 The following provisions of law are repealed:

5 (1) Subpart A of part IV of title III of the  
6 Communications Act of 1934 (47 U.S.C. 390 et  
7 seq.), relating to assistance for public telecommuni-  
8 cations facilities.

9 (2) Subpart B of part IV of title III of the  
10 Communications Act of 1934 (47 U.S.C. 394 et  
11 seq.), relating to the Endowment for Children's  
12 Educational Television.

13 (3) Subpart C of part IV of title III of the  
14 Communications Act of 1934 (47 U.S.C. 395 et  
15 seq.), relating to Telecommunications Demonstration  
16 grants.

17 **SEC. 210. TRANSFER OF SPECTRUM MANAGEMENT FUNC-**  
18 **TIONS.**

19 There are transferred to the Chairman of the Federal  
20 Communications Commission all functions of the Sec-  
21 retary of Commerce, the Assistant Secretary of Commerce  
22 for Communications and Information, and the National  
23 Telecommunications and Information Administration  
24 under parts A and B of the National Telecommunication  
25 and Information Administration Organization Act.

1 **SEC. 211. NATIONAL OCEANIC AND ATMOSPHERIC ADMIN-**  
2 **ISTRATION.**

3 (a) **TERMINATION OF AUTHORITY TO MAKE FISH-**  
4 **ERIES GRANTS.**—No financial assistance may be provided  
5 under any of the following laws, except to the extent the  
6 provision of that assistance is a contractual obligation of  
7 the United States on the day before the effective date of  
8 this section:

9 (1) Section 2 of the Act of August 11, 1939  
10 (15 U.S.C. 713c-3), popularly known as the  
11 “Saltonstall-Kennedy Act”.

12 (2) Section 1 of the Act of September 2, 1960  
13 (16 U.S.C. 753a).

14 (3) The Antarctic Marine Living Resources  
15 Convention Act of 1984 (16 U.S.C. 2431 et seq.).

16 (4) The Anadromous Fish Conservation Act (16  
17 U.S.C. 757a et seq.).

18 (5) Provisions of the Magnuson Fishery Con-  
19 servation and Management Act (16 U.S.C. 1801 et  
20 seq.) and the Department of Commerce Appropria-  
21 tion Act of 1994 that authorize assistance to State  
22 fishery agencies to enhance their data collection and  
23 analysis systems to respond to coastwise fisheries  
24 management needs.

25 (6) The Interjurisdictional Fisheries Act of  
26 1986 (16 U.S.C. 4101 et seq.).

1           (7) Provisions of the Fish and Wildlife Act of  
2           1956 and the Department of Commerce Appropria-  
3           tion Act of 1994 that authorize assistance to State  
4           for a cooperative State and Federal partnership to  
5           provide a continuing source of fisheries statistics to  
6           support fisheries management in the States' terri-  
7           torial waters and the United States exclusive eco-  
8           nomic zone.

9           (8) Provisions of the Fish and Wildlife Act of  
10          1956 and the Department of Commerce Appropria-  
11          tion Act of 1994 that authorize assistance to States  
12          for a cooperative program which engages State and  
13          Federal agencies in the coordinated collection, man-  
14          agement, and dissemination of fishery-independent  
15          information on marine fisheries in support of State  
16          territorial waters and the United States exclusive  
17          economic zone fisheries management programs.

18          (9) Provisions of the Act of May 11, 1938 (16  
19          U.S.C. 756-757), popularly known as the Mitchell  
20          Act, and the Department of Commerce Appropria-  
21          tion Act of 1994 that authorize assistance to State  
22          fisheries agencies in the Pacific Northwest to protect  
23          and enhance salmon and steelhead resources in the  
24          region.

1           (10) Provisions of the Pacific Salmon Treaty  
2           Act of 1985 (16 U.S.C. 3631–3644) and the De-  
3           partment of Commerce Appropriation Act of 1994  
4           that authorize assistance to States in fulfilling re-  
5           sponsibilities under the Pacific Salmon Treaty by  
6           providing administrative, management, and applied  
7           research support to the States to meet the needs of  
8           the Pacific Salmon Commission and international  
9           commitments under the treaty.

10          (11) Provisions of the Marine Mammal Protec-  
11          tion Act of 1972 (16 U.S.C. 1371–1384) and the  
12          Department of Commerce Appropriation Act of 1994  
13          which authorize assistance to State agencies for the  
14          collection and analysis of information on marine  
15          mammals that occur in the State waters and inter-  
16          act with State managed fisheries.

17          (12) Provisions of the Pacific Salmon Treaty  
18          Act of 1985 (16 U.S.C. 3631–3644) and the De-  
19          partment of Commerce Appropriation Act of 1994  
20          that—

21                 (A) authorize assistance to States to assist  
22                 in fulfilling Federal responsibilities under the  
23                 Pacific Salmon Treaty by restoring Southeast  
24                 Alaska salmon harvests limited by the treaty

1 and by restoring salmon stocks as quickly as  
2 possible; and

3 (B) help implement a 1989 “Understand-  
4 ing between the United States and Canadian  
5 Sections of the Pacific Salmon Commission  
6 Concerning Joint Enhancement of  
7 Transboundary River Salmon Stocks”.

8 (b) TERMINATION OF FISHERIES TRADE PROMOTION  
9 PROGRAM.—Section 211 of the Act of December 22, 1989  
10 (15 U.S.C. 1511b) is repealed.

11 (c) CONFORMING AMENDMENT TO TERMINATE FISH-  
12 ERIES PROMOTION AND DEVELOPMENT TRANSFERS AND  
13 FUNDS.—Section 2(b) of the Act of August 11, 1939 (15  
14 U.S.C. 713c-3), popularly known as the “Saltonstall-Ken-  
15 nedy Act”, is repealed. Amounts remaining, on the effec-  
16 tive date of this section, in the funds established under  
17 that section that are not required for the provision of fi-  
18 nancial assistance that is not otherwise terminated by this  
19 section shall revert to the general fund of the Treasury.

20 (d) TERMINATION OF AUTHORITY TO GUARANTEE  
21 OBLIGATIONS FOR FISHING VESSEL AND FISHING FACIL-  
22 ITY CONSTRUCTION, ETC.—No new guarantee of an obli-  
23 gation or commitment to guarantee an obligation under  
24 title XI of the Merchant Marine Act, 1936 (46 App.  
25 U.S.C. 1271 et seq.) may be made under authority that

1 was vested in the Secretary of Commerce on the day be-  
2 fore the effective date of this section (relating to obliga-  
3 tions for fishing vessels or fishing facilities), except to the  
4 extent the making of such a guarantee was a contractual  
5 obligation of the United States on the day before that ef-  
6 fective date.

7 (e) TERMINATION OF COMPENSATION UNDER FISH-  
8 ERMEN'S PROTECTIVE ACT OF 1967.—No compensation  
9 may be paid under section 10 of the Fishermen's Protec-  
10 tive Act of 1967 (22 U.S.C. 1980), relating to compensa-  
11 tion for damage, loss, or destruction of fishing vessels or  
12 fishing gear, except to the extent the compensation was  
13 awarded before the effective date of this section.

14 (f) TERMINATION OF COMPENSATION TO FISHERMEN  
15 UNDER OUTER CONTINENTAL SHELF LANDS ACT  
16 AMENDMENTS OF 1978.—No compensation may be paid  
17 under title IV of the Outer Continental Shelf Lands Act  
18 Amendments of 1978 (43 U.S.C. 1841 et seq.), except to  
19 the extent the compensation was awarded before the effec-  
20 tive date of this section.

21 (g) TERMINATION OF MISCELLANEOUS RESEARCH  
22 FUNCTIONS.—The following functions, as vested in per-  
23 sonnel of the National Oceanic and Atmospheric Adminis-  
24 tration on the day before the effective date of this section,  
25 are terminated:

1 (1) All observation and prediction functions re-  
2 lating to pollution research.

3 (2) All functions relating to estuarine and  
4 coastal assessment research.

5 (h) TERMINATION OF NOAA CORPS.—

6 (1) TERMINATION.—The National Oceanic and  
7 Atmospheric Administration Corps is terminated,  
8 and the assets thereof shall be transferred to the  
9 Commerce Programs Resolution Agency.

10 (2) DISPOSITION OF ASSETS.—The Adminis-  
11 trator of the Commerce Programs Resolution Agen-  
12 cy shall attempt to sell the assets of the National  
13 Oceanic and Atmospheric Administration Corps,  
14 within 18 months after the effective date specified in  
15 section 213(a), to a private sector entity intending  
16 to perform substantially the same functions as were  
17 performed by the National Oceanic and Atmospheric  
18 Administration Corps immediately before such effec-  
19 tive date.

20 (3) REPORT.—If no offer to purchase assets  
21 under paragraph (2) is received within the 18-month  
22 period described in such paragraph, the Commerce  
23 Programs Resolution Agency shall submit a report  
24 to the Congress containing recommendations on the  
25 appropriate disposition of the assets and functions of

1 the National Oceanic and Atmospheric Administra-  
2 tion Corps.

3 (i) DISPOSAL OF NOAA FLEET.—The Secretary of  
4 the Interior—

5 (1) shall cease modernization of the National  
6 Oceanic and Atmospheric Administration fleet of  
7 vessels and terminate all new construction for that  
8 fleet;

9 (2) shall promptly dispose of all assets compris-  
10 ing the National Oceanic and Atmospheric Adminis-  
11 tration fleet; and

12 (3) may not purchase any vessels for the Na-  
13 tional Oceanic and Atmospheric Administration.

14 (j) OFFICE OF OCEANIC AND ATMOSPHERIC RE-  
15 SEARCH.—(1) Except as otherwise provided in paragraph  
16 (2) or (3), the Office of Oceanic and Atmospheric Re-  
17 search shall be terminated.

18 (2) Functions relating to weather research of the Of-  
19 fice of Oceanic and Atmospheric Research shall be trans-  
20 ferred to the National Weather Service.

21 (3)(A) The laboratories of the Office of Oceanic and  
22 Atmospheric Research shall be transferred to the Com-  
23 merce Programs Resolution Agency.

24 (B) The Commerce Programs Resolution Agency  
25 shall attempt to sell the property of the laboratories of

1 the Office of Oceanic and Atmospheric Research, within  
2 18 months after the effective date specified in section  
3 213(a), to a private sector entity intending to perform  
4 substantially the same functions as were performed by the  
5 laboratories of the Office of Oceanic and Atmospheric Re-  
6 search immediately before such effective date.

7 (C) If no offer to purchase property under subpara-  
8 graph (B) is received within the 18-month period de-  
9 scribed in such subparagraph, the Commerce Programs  
10 Resolution Agency shall transfer the remaining labora-  
11 tories to the Department of the Interior, which shall sub-  
12 mit a report to the Congress containing recommendations  
13 on the appropriate disposition of the property and func-  
14 tions of such laboratories.

15 (k) NAUTICAL AND AERONAUTICAL CHARTING.—(1)  
16 The nautical and aeronautical charting functions of the  
17 National Oceanic and Atmospheric Administration shall  
18 be transferred to the Defense Mapping Agency.

19 (2) The Defense Mapping Agency shall terminate any  
20 functions transferred to it under paragraph (1) that are  
21 performed by the private sector.

22 (l) NESDIS.—(1)(A) The National Environmental  
23 Satellite, Data, and Information System Data Centers  
24 shall be transferred to the Commerce Programs Resolu-  
25 tion Agency.

1 (B) The Commerce Programs Resolution Agency  
2 shall attempt to sell the property of the National Environ-  
3 mental Satellite, Data, and Information System Data Cen-  
4 ters, within 18 months after the effective date specified  
5 in section 213(a), to a private sector entity intending to  
6 perform substantially the same functions as were per-  
7 formed by the National Environmental Satellite, Data,  
8 and Information System Data Centers immediately before  
9 such effective date.

10 (C) If no offer to purchase property under subpara-  
11 graph (B) is received within the 18-month period de-  
12 scribed in such subparagraph, the Commerce Programs  
13 Resolution Agency shall submit a report to the Congress  
14 containing recommendations on the appropriate disposi-  
15 tion of the property and functions of the National Envi-  
16 ronmental Satellite, Data, and Information System Data  
17 Centers.

18 (2) Functions related to weather satellites of the Na-  
19 tional Environmental Satellite, Data, and Information  
20 System shall be transferred to the National Weather Serv-  
21 ice.

22 (m) NATIONAL WEATHER SERVICE.—(1) The Na-  
23 tional Weather Service is hereby transferred to the De-  
24 partment of the Interior.

1       (2)(A) The National Weather Service shall terminate  
2 its specialized agricultural, Marine Radiofax, and forestry  
3 weather services, and its Regional Climate Centers.

4       (B) The National Weather Service may terminate any  
5 other specialized weather services not required by law to  
6 be performed.

7       (n) NATIONAL MARINE FISHERIES SERVICE.—

8           (1) TRANSFER OF ENFORCEMENT FUNC-  
9 TIONS.—There are transferred to the Secretary of  
10 Transportation all functions relating to law enforce-  
11 ment that on the day before the effective date of this  
12 section were authorized to be performed by the Na-  
13 tional Marine Fisheries Service.

14           (2) TRANSFER OF SCIENCE FUNCTIONS.—  
15 There are transferred to the Director of the United  
16 States Fish and Wildlife Service all functions relat-  
17 ing to science that on the day before the effective  
18 date of this section were authorized to be performed  
19 by the National Marine Fisheries Service.

20           (3) TRANSFER OF SEAFOOD INSPECTION FUNC-  
21 TIONS.—There are transferred to the Secretary of  
22 Agriculture all functions relating to seafood inspec-  
23 tion that on the day before the effective date of this  
24 section were authorized to be performed by the Na-  
25 tional Marine Fisheries Service.

1 (o) NATIONAL OCEAN SERVICE.—

2 (1) TRANSFER OF GEODESY FUNCTIONS.—

3 There are transferred to the Director of the United  
4 States Geological Survey all functions relating to ge-  
5 odesy that on the day before the effective date of  
6 this section were authorized to be performed by the  
7 National Ocean Service.

8 (2) TRANSFER OF MARINE AND ESTUARINE

9 SANCTUARY FUNCTIONS.—There are transferred to  
10 the Secretary of the Interior all functions relating to  
11 marine and estuarine sanctuaries that on the day  
12 before the effective date of this section were author-  
13 ized to be performed by the National Ocean Service.

14 (p) ENVIRONMENTAL RESEARCH LABORATORIES.—

15 (1) TRANSFER.—The environmental research  
16 laboratories of the National Oceanic and Atmos-  
17 pheric Administration (other than laboratories of the  
18 Office of Oceanic and Atmospheric Research, re-  
19 ferred to in subsection (j)) shall be transferred to  
20 the Commerce Programs Resolution Agency.

21 (2) DISPOSAL.—The Commerce Programs Res-  
22 olution Agency shall attempt to sell the property of  
23 the laboratories transferred under paragraph (1),  
24 within 18 months after the effective date specified in  
25 section 213(a), to a private sector entity intending

1 to perform substantially the same functions as were  
2 performed by the laboratories before such effective  
3 date.

4 (3) REPORT.—If no offer to purchase property  
5 under paragraph (2) is received within the 18-month  
6 period described in such paragraph, the Commerce  
7 Programs Resolution Agency shall submit a report  
8 to the Congress containing recommendations on the  
9 appropriate disposition of the property and functions  
10 of the laboratories transferred under paragraph (1).

11 **SEC. 212. MISCELLANEOUS ABOLISHMENTS.**

12 The following agencies and programs of the Depart-  
13 ment of Commerce are abolished, and the functions of  
14 those agencies or programs are abolished except to the ex-  
15 tent otherwise provided in this Act:

16 (1) The Economic Development Administration.

17 (2) The Minority Business Development Admin-  
18 istration.

19 (3) The United States Travel and Tourism Ad-  
20 ministration.

21 (4) The National Telecommunications and In-  
22 formation Administration.

23 (5) The Advanced Technology Program under  
24 section 28 of the National Institute of Standards  
25 and Technology Act (15 U.S.C. 278n).

1           (6) The Manufacturing Extension Programs  
2           under sections 25 and 26 of the National Institute  
3           of Standards and Technology Act (15 U.S.C. 278k  
4           and 278l).

5 **SEC. 213. EFFECTIVE DATE.**

6           (a) IN GENERAL.—Except as provided in subsection  
7 (b), this title shall take effect on the effective date speci-  
8 fied in section 109(a).

9           (b) PROVISIONS EFFECTIVE ON DATE OF ENACT-  
10 MENT.—The following provisions of this title shall take ef-  
11 fect on the date of the enactment of this Act:

12           (1) Section 201.

13           (2) Section 206 (a)(2) and (d).

14           (3) Section 212.

15 **SEC. 214. SENSE OF CONGRESS REGARDING USER FEES.**

16           It is the sense of the Congress that the head of each  
17 agency that performs a function vested in the agency by  
18 this Act should, wherever feasible, explore and implement  
19 user fees for the provision of services in the performance  
20 of that function, to offset operating costs.

21           **TITLE III—MISCELLANEOUS**  
22           **PROVISIONS**

23 **SEC. 301. REFERENCES.**

24           Any reference in any other Federal law, Executive  
25 order, rule, regulation, or delegation of authority, or any

1 document of or pertaining to an office from which a func-  
2 tion is transferred by this Act—

3 (1) to the Secretary of Commerce or an officer  
4 of the Department of Commerce, is deemed to refer  
5 to the head of the department or office to which  
6 such function is transferred; or

7 (2) to the Department of Commerce or an  
8 agency in the Department of Commerce is deemed  
9 to refer to the department or office to which such  
10 function is transferred.

11 **SEC. 302. EXERCISE OF AUTHORITIES.**

12 Except as otherwise provided by law, a Federal offi-  
13 cial to whom a function is transferred by this Act may,  
14 for purposes of performing the function, exercise all au-  
15 thorities under any other provision of law that were avail-  
16 able with respect to the performance of that function to  
17 the official responsible for the performance of the function  
18 immediately before the effective date of the transfer of the  
19 function under this Act.

20 **SEC. 303. SAVINGS PROVISIONS.**

21 (a) **LEGAL DOCUMENTS.**—All orders, determinations,  
22 rules, regulations, permits, grants, loans, contracts, agree-  
23 ments, certificates, licenses, and privileges—

24 (1) that have been issued, made, granted, or al-  
25 lowed to become effective by the President, the Sec-

1       retary of Commerce, any officer or employee of any  
2       office transferred by this Act, or any other Govern-  
3       ment official, or by a court of competent jurisdic-  
4       tion, in the performance of any function that is  
5       transferred by this Act, and

6               (2) that are in effect on the effective date of  
7       such transfer (or become effective after such date  
8       pursuant to their terms as in effect on such effective  
9       date),

10 shall continue in effect according to their terms until  
11 modified, terminated, superseded, set aside, or revoked in  
12 accordance with law by the President, any other author-  
13 ized official, a court of competent jurisdiction, or operation  
14 of law.

15       (b) PROCEEDINGS.—This Act shall not affect any  
16 proceedings or any application for any benefits, service,  
17 license, permit, certificate, or financial assistance pending  
18 on the date of the enactment of this Act before an office  
19 transferred by this Act, but such proceedings and applica-  
20 tions shall be continued. Orders shall be issued in such  
21 proceedings, appeals shall be taken therefrom, and pay-  
22 ments shall be made pursuant to such orders, as if this  
23 Act had not been enacted, and orders issued in any such  
24 proceeding shall continue in effect until modified, termi-  
25 nated, superseded, or revoked by a duly authorized official,

1 by a court of competent jurisdiction, or by operation of  
2 law. Nothing in this subsection shall be considered to pro-  
3 hibit the discontinuance or modification of any such pro-  
4 ceeding under the same terms and conditions and to the  
5 same extent that such proceeding could have been discon-  
6 tinued or modified if this Act had not been enacted.

7 (c) SUITS.—This Act shall not affect suits com-  
8 menced before the date of the enactment of this Act, and  
9 in all such suits, proceeding shall be had, appeals taken,  
10 and judgments rendered in the same manner and with the  
11 same effect as if this Act had not been enacted.

12 (d) NONABATEMENT OF ACTIONS.—No suit, action,  
13 or other proceeding commenced by or against the Depart-  
14 ment of Commerce or the Secretary of Commerce, or by  
15 or against any individual in the official capacity of such  
16 individual as an officer or employee of an office trans-  
17 ferred by this Act, shall abate by reason of the enactment  
18 of this Act.

19 (e) CONTINUANCE OF SUITS.—If any officer of the  
20 Department of Commerce or the Commerce Programs  
21 Resolution Agency in the official capacity of such officer  
22 is party to a suit with respect to a function of the officer,  
23 and under this Act such function is transferred to any  
24 other officer or office, then such suit shall be continued

1 with the other officer or the head of such other office, as  
2 applicable, substituted or added as a party.

3 **SEC. 304. TRANSFER OF ASSETS.**

4 Except as otherwise provided in this Act, so much  
5 of the personnel, property, records, and unexpended bal-  
6 ances of appropriations, allocations, and other funds em-  
7 ployed, used, held, available, or to be made available in  
8 connection with a function transferred to an official or  
9 agency by this Act shall be available to the official or the  
10 head of that agency, respectively, at such time or times  
11 as the Director of the Office of Management and Budget  
12 directs for use in connection with the functions trans-  
13 ferred.

14 **SEC. 305. DELEGATION AND ASSIGNMENT.**

15 Except as otherwise expressly prohibited by law or  
16 otherwise provided in this Act, an official to whom func-  
17 tions are transferred under this Act (including the head  
18 of any office to which functions are transferred under this  
19 Act) may delegate any of the functions so transferred to  
20 such officers and employees of the office of the official as  
21 the official may designate, and may authorize successive  
22 redelegations of such functions as may be necessary or ap-  
23 propriate. No delegation of functions under this section  
24 or under any other provision of this Act shall relieve the

1 official to whom a function is transferred under this Act  
2 of responsibility for the administration of the function.

3 **SEC. 306. AUTHORITY OF ADMINISTRATOR WITH RESPECT**  
4 **TO FUNCTIONS TRANSFERRED.**

5 (a) DETERMINATIONS.—If necessary, the Adminis-  
6 trator shall make any determination of the functions that  
7 are transferred under this Act.

8 (b) INCIDENTAL TRANSFERS.—The Administrator,  
9 at such time or times as the Administrator shall provide,  
10 may make such determinations as may be necessary with  
11 regard to the functions transferred by this Act, and to  
12 make such additional incidental dispositions of personnel,  
13 assets, liabilities, grants, contracts, property, records, and  
14 unexpended balances of appropriations, authorizations, al-  
15 locations, and other funds held, used, arising from, avail-  
16 able to, or to be made available in connection with such  
17 functions, as may be necessary to carry out the provisions  
18 of this Act. The Administrator shall provide for the termi-  
19 nation of the affairs of all entities terminated by this Act  
20 and for such further measures and dispositions as may  
21 be necessary to effectuate the purposes of this Act.

22 **SEC. 307. PROPOSED CHANGES IN LAW.**

23 Not later than one year after the date of the enact-  
24 ment of this Act, the Director of the Office of Manage-  
25 ment and Budget shall submit to the Congress a descrip-

1 tion of any changes in Federal law necessary to reflect  
 2 abolishments, transfers, terminations, and disposals under  
 3 this Act.

4 **SEC. 308. CERTAIN VESTING OF FUNCTIONS CONSIDERED**  
 5 **TRANSFERS.**

6 For purposes of this Act, the vesting of a function  
 7 in a department or office pursuant to reestablishment of  
 8 an office shall be considered to be the transfer of the  
 9 function.

10 **SEC. 309. DEFINITIONS.**

11 For purposes of this Act, the following definitions  
 12 apply:

13 (1) ADMINISTRATOR.—The term “Adminis-  
 14 trator” means the Administrator of the Commerce  
 15 Programs Resolution Agency.

16 (2) AGENCY.—The term “Agency” means the  
 17 Commerce Programs Resolution Agency.

18 (3) FUNCTION.—The term “function” includes  
 19 any duty, obligation, power, authority, responsibility,  
 20 right, privilege, activity, or program.

21 (4) OFFICE.—The term “office” includes any  
 22 office, administration, agency, bureau, institute,  
 23 council, unit, organizational entity, or component  
 24 thereof.

1           (5) WIND-UP PERIOD.—The term “wind-up pe-  
2           riod” means the period beginning on the effective  
3           date specified in section 109(a) and ending on the  
4           termination date specified in section 106(d).

5 **SEC. 310. LIMITATION ON ANNUAL EXPENDITURES FOR**  
6 **CONTINUED FUNCTIONS.**

7           The amount expended by the United States each fis-  
8           cal year for performance of a function which immediately  
9           before the effective date of this section was authorized to  
10          be performed by an agency, officer, or employee of the De-  
11          partment of Commerce may not exceed 75 percent of the  
12          total amount expended by the United States for perform-  
13          ance of that function during fiscal year 1994.

○

Mr. CLINGER. Thank you very much, Mr. Chairman. And I would like to, first of all, commend you for scheduling this hearing on the dismantling of the Commerce Department. This morning's hearing obviously kicks off a very busy schedule that Congress will spend meeting its commitment to make government smaller and hopefully more responsive to the American people.

Our efforts in Congress, it should be noted at the outset, go way beyond streamlining executive departments and agencies, such as what is being proposed in the National Performance Review efforts of the Vice President. We are engaged in a radical restructuring of our institutions that will take us into the next century. It is critical that we refocus government on those essential functions that it must perform and reconsider whether government should be involved in any activity if it cannot do it well. We have all experienced the frustration of wading through reams of inefficient, unhelpful bureaucracy, a sign of a government that is too big and doing far too many things.

The Department of Commerce is one bureaucracy that is just not necessary, in my view. The functions of the Department overlap with 71 agencies. The Department has 6 UnderSecretaries, 12 Assistant Secretaries, 6 bureau or agency Directors, 10 offices as part of the Office of the Secretary, and these are just the top layers of management that appear in the Department's basic organizational chart. In fact, the number of occupants in the top jobs at Commerce increased from 29 in 1960 to 217 in 1992. Do we really need all of these positions? And I say this as a former employee of the Department of Commerce. I was appalled to discover when I worked there that every morning more people go to work in the main Commerce building downtown than live in my hometown.

True, there are vital functions performed by the Department involving trade, weather services, statistical information; and we do not intend to eliminate any essential components. But I believe any of these functions can be performed just as well or better elsewhere in the Federal Government, in the private sector, or at the State and local levels. And those functions that are not necessary can and should be terminated.

Few people, frankly, have come knocking on my door to argue in favor of keeping the Department of Commerce intact. Those that have, almost without exception, are concerned that without the Department they will lose a trade advocate that has been a very important part of American overseas commerce.

Let's set the record straight on trade. It is roughly 6 percent of the Department of Commerce budget, and 60 percent of the Department has nothing to do with trade. It is devoted to the National Oceanic and Atmospheric Administration. Congress fully intends to maintain and even enhance the important trade functions that help our businesses overseas, but believe me, we do not need a Department of Commerce to do it.

Let me also respond to those that ask, where are the savings? Cutting just for the sake of saving dollars is not our objective, and I want to make that very clear. That certainly will be an adjunct of what we try to do, but it is not our objective. Our goal is to improve government activity where it is necessary, refocus government efforts where they are misdirected, and get government out

of activities in which it does not belong. Cost savings will be enjoyed as a derivative benefit but not our only goal, and we believe dismantling the Department of Commerce is a good place to start the government on a path of fiscal responsibility.

Finally, let me note that a Department truly committed to serving American business would be advocating fewer regulations, lower taxes, litigation reform and a host of other measures. The Department of Commerce has been notably and persistently silent in these areas. So while one may conclude the Department is a trade advocate, it most certainly has not been an advocate for American business.

So, Mr. Chairman, I look forward to the testimony that will be offered this morning; and I welcome all of the witnesses to the hearing. Thank you.

Mr. HORN. Thank you very much, Mr. Chairman.

I am next going to call on the distinguished chairman of the Subcommittee on Civil Service, which we have asked to represent that committee with us this morning since there are some personnel issues involved. The gentleman from Florida, Mr. Mica.

Mr. MICA. Thank you, Mr. Chairman.

I will just take a moment to, first of all, congratulate you again on holding these hearings. I think that you have undertaken an important responsibility in seeing that as we dismantle one of the departments of our Federal Government and that we do so in an orderly fashion and that we carefully consider what functions of this agency in fact are necessary and are truly governmental and what functions can be done more efficiently, more cost effectively by the private sector.

One of my major concerns, as you know and other Members of the House know, has been that we do preserve the important trade functions and trade assistance promotion programs, some that have been conducted by Congress in the past. Unfortunately, most of our trade effort at the Federal level is a disorganized, disjointed mess and needs to be brought together in a coherent, coordinated and consolidated fashion.

I am hoping that you can sort through this morass and that we can do a better job with less in this consolidation and reorganization effort.

Again, I salute you, Mr. Chairman, also Mr. Chrysler for his leadership in this issue and yield back.

Mr. HORN. Thank you very much.

I am now delighted to call on the ranking minority member of the full Committee on Government Reform and Oversight, Mrs. Collins.

Mrs. COLLINS. Thank you very much, Mr. Chairman.

I would like to welcome Secretary Brown, who will be joining us shortly. During his tenure Secretary Brown has earned widespread support from the business community for his tireless efforts on behalf of American business and jobs throughout the world.

The Department of Commerce has been in business for over 80 years, and during those 80 years the public has been well served by the men and women who labor there. Under Secretary Brown's leadership, the Department has been exemplary in promoting

American business interests overseas and protecting American businesses, large and small, from unfair competition.

President Clinton and Secretary Brown have led the Department of Commerce in helping American business incorporate the latest technologies to make them more productive. Thanks to the Commerce Department, American businesses are able to compete with foreign corporations that are much more heavily subsidized by their government.

In 1994 alone, the Commerce Department went to bat for U.S. firms and was instrumental in getting foreign governments and other foreign purchasers to buy U.S. goods and services totaling \$40 billion. The U.S. export content of these sales amounted to \$24.6 billion, providing jobs for approximately 300,000 American workers.

For example, the president of Amex Inc., an export management firm in Minneapolis, said, "Without the Department, this business would not have existed or, at best, existed in a much smaller form." That was a quote. Over the past 10 years, Amex has grown to become a \$50 million a year business.

The chairman and the CEO of Raytheon said the Commerce Department's help was, "decisive," in his company's successful bid for a \$1.4 billion contract from the Government of Brazil for the construction of the Amazon Surveillance System. It is highly unlikely that a sub-Cabinet level trade agency acting on Raytheon's behalf would have gotten the same response from the Government of Brazil.

The chief financial officer of Polaroid said the Secretary of Commerce's efforts, "were key to our success in gaining access to the Indian market."

According to the export council of my State of Illinois, small- and medium-sized businesses benefit even more than big business from the Commerce Department's export promotion activities because, "Smaller businesses cannot afford to conduct extensive market research overseas or to hire consultants."

The Commerce Department gets more than 1,000 calls and faxes a day from small- and medium-sized businesses asking for advice on exporting. Small business accounted for 90 percent of the more than 60,000 counseling sessions the Department held with firms throughout the United States in 1994.

Now, given all of this, it surprises me that we are sitting here talking about abolishing the Department. Apparently those who support dismantling the Department would prefer a symbolic trophy of cost cutting even at the expense of American jobs.

Let me just talk briefly about some of the harm that would be done if Republicans have their way. This is not an exhaustive list. These are just some of the most dramatic examples.

The Minority Business Development Agency was created in the Department of Commerce to provide the technical assistance necessary for fledgling minority-owned businesses to compete in domestic and international markets. Under Secretary Brown's leadership, the agency has made great strides in this mission, but there is a long way to go. Minorities make up 25 percent of the U.S. population but only 9 percent of the business owners.

The Minority Business Development Agency provides a much-needed boost to American competitiveness and should be encouraged. Speaker Gingrich recently commented on the importance of increasing minority participation in business, just what MBDA is there for.

A former Republican Secretary of Commerce has stated that MBDA has been a critically important factor in establishing and expanding minority businesses around the country. This will all stop if this measure goes through.

The Economic Development Authority has a long history of helping communities in the face of economic and natural disasters. That too will stop if the Republicans have their way.

In Oregon, EDA funds converted a timber mill into an industrial park that resulted in 200 new jobs for the area.

In Kentucky, EDA funds provided the water system that allowed Monticello Industries to expand and create 270 new jobs.

In Texas, EDA funds helped create nearly 900 jobs after Fort Hood was closed.

EDA funds helped southern Florida recover from Hurricane Andrew.

If the Commerce Department is abolished, the United States will be the only major economy in the world without a ministerial level official representing business interests.

American business and American workers are the most competitive in the world. They deserve better than that. They deserve a government that gives the highest priorities to fighting for their interests in the domestic and the world marketplace.

Thank you, Mr. Chairman.

Mr. HORN. Thank you very much, Mrs. Collins.

Now I would like to yield to the gentleman from New Hampshire, Mr. Bass, for an opening statement.

Mr. BASS. Thank you very much, Mr. Chairman; and I want to join my colleagues in expressing our appreciation for your timely scheduling of these meetings.

And as Chairman Clinger mentioned, this is going to be a particularly busy time in Congress; but I feel, as a cosponsor of H.R. 1756, that this is a timely hearing. It is a hearing that is critical to the process that we began earlier this year on downsizing the Federal Government, making it more efficient and taking bold steps to make substantive, fundamental changes to government and Washington.

I also want to commend Congressman Chrysler who has led our freshmen task force, in establishing—creating this piece of legislation. It is the result of an enormous amount of work on his part. I feel that we are going to be successful in this effort, not to make government leaner and meaner but to fundamentally restructure the government, the Department of Commerce and maybe other departments later on in this session, in this Congress.

H.R. 1756, the Department of Commerce Dismantling Act, according to the Congressional Budget Office may save taxpayers as much as \$7.7 billion over 5 years. That is not insignificant. As Chairman Clinger said earlier in his opening statement, the Department of Commerce is an agency technically designed to assist Commerce and business in this country.

It is odd, however, that I have yet to receive any significant amount of mail from anybody in my constituency or in my district or anywhere else from people who say they can't live without the Department of Commerce. The fact of the matter is that indeed the Federal Government has a role to play in promoting foreign trade, in promoting business expansion, economic development and so forth, but that doesn't need to be done in a Department that consists of 100 or so loosely connected programs that are somewhat interrelated, but even that is questionable.

So I am hopeful that we will be able to move forward in this hearing to move this piece of legislation out of this subcommittee and do it in such a fashion so that we will truly move to restructure the Federal Government and begin with the Department of Commerce.

And I yield back to the Chairman. Thank you.

Mr. HORN. Thank you very much.

[The prepared statement of Hon. Charles F. Bass follows:]

CHARLES F. BASS, M.C.  
20 DISTRICT, NEW HAMPSHIRE

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GOVERNMENT REFORM  
AND OVERSIGHT  
SUBCOMMITTEES  
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**OPENING STATEMENT**

**REP. CHARLES BASS  
HOUSE GOVERNMENT REFORM & OVERSIGHT COMMITTEE  
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION  
& TECHNOLOGY**

**HEARING ON H.R. 1756, "DEPARTMENT OF  
COMMERCE DISMANTLING ACT"**

Thank you, Mr. Chairman, for holding this hearing, which in years past would have never happened. Now, we have an opportunity to fully debate and discuss the new ideas brought about by the elections of November 1994.

I am proud to say that I am a cosponsor of H.R. 1756, the "Department of Commerce Dismantling Act." As we have noted, this legislation would save American taxpayers 7.7 billion dollars over five years.

I truly doubt that most people can pinpoint exactly what the Commerce Department really does. What we freshmen have done is examine that question, and the answer is, we can eliminate the Commerce Department as part of our effort to reduce the size of the Federal government.

**PAGE TWO REP. BASS/OPENING STATEMENT**

**This legislation was not put together haphazardly. Our task force put forth a detailed, thought-out plan that asked three important questions of every agency within the Department of Commerce:**

- **Is this a necessary program?**
- **If this is a necessary program, is this a task the government should be involved with, or is this a better job for the private sector?**
- **If this is a program the government should be involved with, are we currently doing the job in the most efficient and effective way?**

**Last November we heard the message loud and clear: government needs to live within its means. The Commerce Department should not be exempt. I would challenge those who say that this whole effort is nothing but a partisan gimmick by congressional Republicans.**

**The Commerce Department's own Inspector General calls the agency, quote, "a loose collection of more than 100 programs." The General Accounting Office (GAO) goes even further, reporting that the Department of Commerce "faces the most complex web of divided authorities" sharing its "missions with at least 71 federal departments, agencies, and offices."**

**A May 11th Wall Street Journal article noted, "Business Sheds Few Tears" over calls for the Department's elimination. The article goes on to say, quote, "and even some Clinton Administration allies appear hard-pressed to defend this bureaucracy.**

*PAGE 3 REP. BASS/OPENING STATEMENT*

Asked if Commerce should get the ax, C. Fred Bergsten, director of the Institute for International Economics, replies, 'I don't think too much would be lost.'

As I said, we are not being haphazard with this bill. We will save the operations of the Census Bureau, the Patents and Trademarks office, and the Bureau of Weights and Measures, because of the unique functions that they perform.

But overall, we are seeking positive and constructive changes that are customer-based and that reflect the true needs of the American taxpayers. We cannot simply continue to spend money we do not have.

Most importantly, we owe it to our children and our children's children to work diligently to reduce the size of government and wipe out the fiscal burden that is already on their backs.

Thank you, Mr. Chairman, for the time to outline my views on this very important legislation.

###

Mr. HORN. I now yield to the gentleman from South Carolina, Mr. Spratt.

Mr. SPRATT. Mr. Chairman, I would like to join our committee ranking member on emphatically opposing this particular piece of legislation.

This majority party has made one of the touchstones of its first tenure, or first year of tenure in the majority, cost-benefit analysis. And I think it is in order to do some rigorous cost-benefit analysis and to ask, frankly, what are the costs and what are the benefits. And let's not exclude disruption costs, the cost of taking a working, functional agency of the Federal Government, dismembering it into many pieces and scattering them around the Federal Government and I think creating a lot of bad marriages.

I can testify from personal experience that, taking the Office of Textiles and Apparel, that directly affects me and so I know something about it, and transferring its functions basically to the International Trade Commission is an absolute nonstarter. It won't work.

And don't take my word for it. Take the word of Fred Dent, Secretary of Commerce under the Nixon administration, who has written a letter—I don't have it today, but I would like to request unanimous consent to put it in the record when I obtain a copy of it—

Mr. HORN. Without objection, so ordered.  
[The letter referred to follows:]



**MAYFAIR MILLS, INC.**

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FREDERICK B. DENT  
CHAIRMAN

May 22, 1995

FAX 202-228-1177

The Honorable Bob Inglis  
1237 Longworth House Office Building  
Washington, DC 20516

Dear Bob:

On page 61 of the Budget Committee's Report on the Budget it states "All functions of the Office of Textile and Apparel within the International Trade Administration are duplicated in the International Trade Commission, the Custom Service, USTR, State Department or the Labor Department, and should be eliminated".

This is a patently inaccurate statement to which I can attest from experience. The Office of Textile and Apparel is the sole entity which has responsibility for administering the 10 year phase out of the GATT Long-term Textile and Apparel Agreement. This function is mandated by the GATT Agreement confirmed in December 1984 by the U. S. Congress.

The International Trade Commission is responsible for adjudicating international trade complaints. The Customs Service carries out the responsibilities of controlling imports into this country. The USTR's function is to negotiate trade agreements with foreign countries. The State Department's responsibility relates to the diplomatic obligations of our country and the Labor Department's responsibilities relate to the U. S. work force.

It is urgent that the functions of the Office of Textile and Apparel be continued during the 10 year phase out of the GATT LTA. I urge you to correct this inaccurate course of action. If uncorrected, it will be of great detriment to the American textile and apparel workers as well as the industries.

Incidentally, I understand that this inaccuracy was inserted in the report at the behest of a lobbyist for one of the major importing retailers in the U. S.

803 576-2910 FAX (803) 576-6741



The Honorable Bob Inglis  
Page 2

I commend you and the other members of the Budget Committee for the proposal for achieving a balanced budget in 2002, but urge that these decisions be made on a sound, accurate basis.

With best wishes, I remain.

Sincerely yours,

A handwritten signature in black ink, appearing to be "A. J. ...", written over the typed name "Sincerely yours,".

bs

Mr. SPRATT [continuing]. Thoroughly denouncing it and focusing specifically on the functions of OTEXA.

We have said to the textile and apparel industry, you are going to have to face full and open trade from countries like Bangladesh and Pakistan and India and China, where wages and work standards don't even come within a fraction of ours. But in return for that, we are going to attempt to obtain for you market access in these markets around the world for American-made yarn and American-made fibers so that maybe we can sell them the yarn and the fiber if we can't sell them the finished end product.

In order to fulfill that promise to 2 million American workers in a substantial American industry, you need some agency of the government to do it. This agreement, as to textiles alone—and that is just a small part of it—breaks faith with a fundamental obligation that this government has made through the GATT and through other representations of this industry and these workers to open up market access; and the cavalier way in which extremely important data collection and analytical functions are taken and given to an agency that has no responsibility, no real experience in handling this, particularly in an advocacy manner, is just shocking.

And as you look down the list, other questions are raised along similar lines. For example, give mapping to the Defense Department. Isn't there a difference between military mapping and domestic mapping? And since when did the Department of Defense become a paragon of efficiency? Why are we going to get more efficiency by assigning this responsibility to the DOD than allowing it to remain at Commerce?

Giving patents to Justice. Do we want to make Justice the house counsel of the Federal Government, a routine administrative office that oversees the administration of patents, and give the Bureau of Export Control over to the State Department?

I have been through the debate on this floor—floor of this House, having served here for 14 years nearly, when your side in particular, Mr. Chairman, was most insistent that we needed someone like the Department of Defense. We couldn't give this to State because State wouldn't be vigilant in the export administration and seeing that things that might be harmful to our economy might slip into other hands.

I just think there are a lot of mismatches and a lot of bad marriages. I oppose the dismemberment of the Department, question the costs that will be saved, but I also oppose a lot of the arranged marriages that deal with the remaining pieces of it. And so I am pleased that our committee will have a hearing this morning, and I look forward to participating in it.

Thank you, Mr. Chairman.

Mr. HORN. I thank the gentleman.

Now yield to the gentleman from Virginia, Mr. Davis.

Mr. DAVIS. Thank you very much, Mr. Chairman. I will be very brief.

I think our goal here today should not be to just abolish agencies just to put a trophy on the mantel. I think generally abolishing a department doesn't necessarily save money unless you take a look at the individual functions of that agency and start looking at how to streamline that or abolish those.

Our goal basically is to save taxpayers' money and bring them the best cost-effective government that we can bring. If that means reorganization, abolishing departments, so be it, but that is our goal, whether you end up abolishing, adding departments or whatever.

Downsizing in this government is necessary, it is long overdue, and it is going to happen. We need to ensure it is being done smartly and with deliberation and with an eye toward the bottom line.

I look forward to today's hearing, to hear what the testimony is from some of the various sides of this matter. Can, in fact, the role of the Department's various agencies better be fulfilled, their missions be better fulfilled under a reorganization, by moving them out into other areas where they might be more efficient or not?

We also need to be sensitive to the fact that it is the nature of bureaucracies to defend their own organization's existence and some of the rhetoric I have seen here I think really overstates the case for abolishing this Department.

I appreciate Mr. Chrysler's efforts to date. I am not sure I am in total agreement with everything you have done here, but you put a lot of work into it and a lot of thought for this committee.

I look forward to hearing from Secretary Brown as well, and I think we are going to give these matters very serious consideration.

Thank you, Mr. Chairman.

Mr. HORN. I thank the gentleman.

Mr. HORN. And seeing no others to make opening statements, I am delighted to call on our colleague, Mr. Chrysler of Michigan, for his opening statement.

Our general rule in the committee is to limit opening statements to 5 minutes, to summarize them. Your full statement will be in the record, as will all witnesses after introduction, so we can have the time for questions. And I understand you might have to be in another committee by 10 o'clock. So the gentleman from Michigan.

#### **STATEMENT OF HON. DICK CHRYSLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. CHRYSLER. Thank you, Mr. Horn and the members of the committee. Thank you for the opportunity to appear today to continue our discussion on the dismantling of the Department of Commerce. I would like to begin by thanking my colleagues who have spent countless hours studying the Department and drafting the dismantling plan we are here to discuss.

Mr. Chairman, the November elections were a clear call for a smaller and more focused Federal Government. The freshman class, joined by a number of our more senior colleagues, seized upon this mandate by proposing the elimination of four Cabinet agencies. While the Commerce Department is the focus of this year's downsizing effort, I am hopeful that the Congress will see to the other departments next year.

And in fact, if the Department of Commerce was, in fact, a voice for business, as some want to portray it, then it would be supporting a balanced budget, capital gains tax, tort reform and regulatory reform. And in fact the Department of Commerce is diametrically

opposed to all of those items, which is in fact what the business community would like to see most out of their Federal Government.

After several months of careful study, our task force has put forward a well-thought-out, responsible program for dismantling the Department of Commerce. The plan consolidates the duplicative programs, eliminates the unnecessary programs, streamlines the beneficial programs and privatizes those programs that can better be performed by the private sector.

Our plan will result in a substantial savings for taxpayers. The Congressional Budget Office has indicated that our bill would save almost \$8 billion over 5 years, a significant down payment on our goal of a balanced budget by the year 2002 and a chance for our constituents to keep more of what they earn and to save.

Also, our bill would immediately stop the Commerce Department from giving away almost \$1 billion of taxpayers' money each year in outright handouts and grants. Grants for the Nation's industry giants, telecommunications demonstration projects and much more will end at the date of enactment. And that means if we don't have the Department of Commerce for 50 years, that is \$50 billion we don't give away.

As we begin our historic effort to create what Chairman Clinger has called 21st century government, I believe this exercise in dismantling the Commerce Department should be very useful in designing a blueprint for future downsizing efforts. If we are successful in dismantling the Department of Commerce this year, it will be the first time in history that a Cabinet-level agency has ever been dismantled.

With that said, we thought it important to approach this task with bold new ideas, yet careful and logical thinking. I believe our dismantling plan achieves both those goals.

H.R. 1756, the Department of Commerce Dismantling Act, is not a reckless attempt to slash government programs for the sake of cutting government or collecting trophies. The legislation addresses each of the Department's 100 programs with specific and step-by-step plans for the future of each. Our dismantling legislation achieves the various terminations, transfers and privatization over a 3-year windup period, allowing for a full and orderly dismantlement.

This entire 3-year process is overseen by an agency we call the Commerce Programs Resolution Agency. The role of the Commerce Programs Resolution Agency should be seen as that of a caretaker, not policymaker. The CPRA is created not to decide the future of a Commerce program; our legislation provides the specific blueprint for the disposition of each program. Rather, the CPRA is created to ensure the blueprint in H.R. 1756 is followed in an orderly and efficient manner.

In any project of this magnitude, many questions will arise as a result of the terminations, transfers or privatizations. Our goal was to create an agency that retained much of the institutional knowledge of the Department and its functions, yet one that could look at the dismantling process from a neutral perspective to competently address these issues.

It is important to note that the CPRA, as created in the Department of Commerce Dismantling Act, is and should be a temporary

institution. I believe the 3-year windup period provided for in H.R. 1756 is an adequate time period in which to close the Department. We allow a 6-month period for the Department to prepare for the terminations, transfers or privatization, following which we provide a 30-month period to ensure these transactions are accomplished effectively.

Mr. Chairman, eliminating an entire department is not something that can be accomplished overnight or taken lightly. After all, it took decades to build a bureaucracy of this size. But, neither should the process be allowed to drag on for years. The Department of Commerce Dismantling Act provides a reasonable, yet decisive timetable for this process.

Mr. Chairman, we are facing an uphill battle in attempting to dismantle an entire Cabinet department. I applaud your efforts and the efforts of this committee in exploring the ways in which we can create a more efficient and effective Federal Government, and I look forward to continuing work and relationships on these issues. Thank you.

Mr. HORN. Thank you very much. I think your statement has a lot of merit, and I appreciate the work that you and your colleagues have done on the task force.

[The prepared statement of Hon. Dick Chrysler follows:]

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PROCUREMENT, EXPORTS, AND BUSINESS OPPORTUNITIES  
VICE CHAIRMAN

*Testimony of*

The Honorable Dick Chrysler  
United States House of Representatives  
8th District, Michigan

*before the*

Committee on Government Reform and Oversight  
Subcommittee on Government Management, Information, and Technology

*September 6, 1995*

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear today to discuss what our task force has proposed in dismantling the Department of Commerce. I would like to begin by thanking my colleagues who have spent countless hours studying the Department and drafting the dismantling plan we are here to discuss.

Mr. Chairman, the November elections were a clear call for a smaller and more focused federal government. The freshman class, joined by a number of our more senior colleagues, seized upon this mandate by proposing the elimination of four cabinet agencies. While the Commerce Department is the focus of this year's downsizing efforts, I am hopeful that the Congress will see to the other three Departments next year.

After several months of careful study, our task force has put forward a well thought-out, responsible program for dismantling the Department of Commerce. The plan consolidates the duplicative programs, eliminates the unnecessary programs, streamlines the beneficial programs, and privatizes those programs better performed by the private sector.

The plan has bi-partisan support and is also endorsed by many former Commerce Department officials. Additionally, the Department of Commerce was the only cabinet agency to be targeted for elimination by both the House and the Senate budget resolutions this year. The leadership in both the House and the Senate have indicated their firm commitment to eliminating the Commerce Department as part of this year's budget reconciliation process.

Our plan will result in substantial savings for American taxpayers, despite some of the unsubstantiated assertions you may hear today. The Congressional Budget Office has indicated that our bill would save almost \$8 billion over five years - a significant down payment on our goal of a balanced budget by 2002.

Our bill would immediately stop the Commerce Department from giving away almost \$1 billion of taxpayer money each year in outright hand-outs. Grants for the nation's industry giants, telecommunications demonstration projects, and more will end on the date of enactment.

As we begin our historic efforts to create what Chairman Clinger has called "Twenty-First Century Government," I believe this exercise in dismantling the Commerce Department should be very useful in designing a blueprint for future downsizing efforts.

While the federal government has grown at a tremendous rate over the last several decades, there has never been such a major effort to dramatically downsize the federal bureaucracy. In fact, if we are successful in dismantling the Department of Commerce this year, it will be the first time in history that a cabinet-level agency has ever been dismantled.

With that said, we thought it important to approach this daunting task with bold new ideas, yet careful and logical thinking. I believe our dismantling plan achieves both those goals.

H.R. 1756, the Department of Commerce Dismantling Act, is not a reckless attempt to slash government programs for the sake of cutting government. The legislation addresses each of the Department's many programs with specific and step-by-step plans for the future of each.

Our dismantling legislation achieves the various terminations, transfers, and privatizations over a three year wind-up period, allowing for a full and orderly dismantlement. This entire three year process is overseen by an agency we call the Commerce Programs Resolutions Agency (CPRA).

The idea to create a resolutions agency to oversee the dismantling process was the product of much discussion among members of all four of the agency elimination task forces. I believe that each of the four plans - those for Commerce, as well as Education, Energy, and Housing and Urban Development - uses a variation on the resolutions agency idea.

We felt it was important to have some authority overseeing the dismantling process for several reasons. First, this has never been done before. Second, hundreds of incidental questions will arise as a result of following the blueprint laid out in H.R. 1756. Finally, we felt there must be some efficiency to the process, ensuring that vital functions are not disrupted.

Specifically, our legislation downgrades the Department of Commerce from a cabinet-level agency to an independent, sub-cabinet entity within the executive branch, the CPRA, on the effective date of the legislation, six months following the date of enactment.

The CPRA then has two and a half years to ensure that the outstanding affairs of the Department are brought to a close. On the termination date, three years from the date of enactment, all functions of the CPRA that were not transferred, privatized, or otherwise continued by the legislation are abolished.

Our bill also instructs the General Accounting Office and the President to provide their recommendations for winding up the affairs of Department of Commerce as part of this process.

At the head of the CPRA is an Administrator, appointed by the President, with the advice and consent of the United States Senate. The Administrator assumes the authority to perform all functions that were previously performed by the Department of Commerce, any of its offices, the Secretary of Commerce, or any other officer or employee of the Department, before the effective date of the legislation, except for those functions terminated or transferred by the legislation. The Administrator is also given the authority to re-organize and re-allocate the resources of the former Department to best wind-up these outstanding affairs.

The role of the CPRA should be seen as that of caretaker, not policy maker. The CPRA is created not to decide the future of a Commerce program - our legislation provides the specific blueprint for the disposition of each program. Rather, the CPRA is created to ensure the blueprint in H.R. 1756 is followed in an orderly and efficient manner.

I want to emphasize that point: it is the Congress that will decide the fate of each of the offices or programs within the Department of Commerce. The CPRA should only serve as the facilitator in carrying out the instructions of the Congress.

In any project of this magnitude, hundreds of questions will arise as the result of the terminations, transfers, or privatizations. Our goal was to create an agency that retained much of the institutional knowledge of the Department and its functions, yet one that could look at the dismantling process from a neutral perspective, to competently address these incidental issues.

The staff of the Department's Inspector General's office has been suggested as a nucleus around which to build the CPRA, one that has both the institutional knowledge and the outside perspective to adequately oversee the winding-up of affairs. There is no need for the CPRA to become a large bureaucracy with many layers and many arms. In fact, our legislation specifically provides for the appointment of only two positions within the CPRA, the Administrator and the Deputy Administrator.

The CPRA should rather be a small cadre of professionals with experience in working with Commerce programs, yet sufficiently removed from the politics of the elimination to dispassionately deal with the outstanding affairs. Matters that cannot be dealt with at the level of the CPRA could be addressed by the Office of Management and Budget.

Some have suggested creating an office within the OMB to address the incidental issues that arise when following a Congressional blueprint for the termination of any cabinet department. This would give the office the clout and the authority to make decisions that will often reach across the

jurisdictions of several agencies. It would also keep in place a staff of individuals experienced in this type of activity.

While I would support such a concept, I think it is important to expect that specific deadlines for the completion of terminations and transfers be enforced. The advantage to a temporary CPRA is that it forces action on outstanding matters: after three years, the agency is abolished. The advantages of an office in the OMB may be achieved by using OMB as the appellate authority in disputed matters that cannot be resolved by the CPRA.

It is important to note that the CPRA, as created in the Department of Commerce Dismantling Act, is and should be a temporary institution. As the dismantling process progresses over the three year wind-up period, the staff and resources of the CPRA should diminish as should its responsibilities. At the end of the wind-up period, the CPRA should end, as all outstanding affairs of the former Department will have been addressed and answered. After three years, there is no need to continue a CPRA.

I believe the three year wind-up period provided for in H.R. 1756 is an adequate time period in which to close a Department. We allow a six month period for the Department to prepare for the terminations, transfers, or privatizations, following which we provide a 30 month period to ensure these transactions are accomplished effectively.

Mr. Chairman, eliminating an entire Department is not something that can be accomplished overnight - after all, it took decades to build a bureaucracy of this size - but neither should the process be allowed to drag on for years. The Department of Commerce Dismantling Act provides a reasonable, yet decisive, timetable for this process.

Finally, let me comment on some of the other ideas that have been proposed as part of this process, specifically the "Government 2000 Commission" proposed by Senator Roth. I am very excited about the creation of such a Commission, as it is very compatible with the Twenty First Century Government program initiated in the House by Chairman Clinger. Such a serious look at the current state of our federal government, through either method, is long overdue, and I look forward to being an active participant with many of the Members here today.

However, I believe the mission of the Government 2000 Commission and that of the Commerce Programs Resolutions Agency are different. Senator Roth and Chairman Clinger both propose to look at the entire federal government to restructure and re-tool an overblown bureaucracy. The CPRA is designed to address only incidental issues arising from the elimination of one specific department. While I think the two ideas work well together, they are meant for different tasks.

Mr. Chairman, we are facing an enormous task in attempting to dismantle an entire cabinet department. I applaud your efforts and the efforts of this committee in exploring the ways in which we can create a more efficient and effective federal government, and I look forward to a continued working relationship on these issues.

# 104th Congress

## *Privatize Localize Consolidate Eliminate*

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### THE DEPARTMENT OF COMMERCE DISMANTLING ACT LEGISLATIVE SUMMARY

Former Commerce Secretary Robert Mosbacher recently called the Department, "nothing more than a hall closet where you throw in everything that you don't know what do to with."

The Department of Commerce has evolved into a "a loose collection of more than 100 programs" according to the agency's own Inspector General. The General Accounting Office goes further, reporting that the Department "faces the most complex web of divided authorities" sharing its "missions with at least 71 federal departments, agencies, and offices." Its bureaucracy is bloated, its infrastructure is in disrepair, and more than 60 percent of its resources are dedicated to activities completely unrelated to its mission. Former Commerce Department officials recently testified before the House Budget Committee that the few unique functions contained in Commerce suffer under the multiple tiers of bureaucracy and its 263 political appointees.

Today's Department of Commerce cannot be "reinvented." Its problems can only be solved if it is dismantled. The Department of Commerce Dismantling Act was drafted by a House and Senate Task Force consisting of Members of Congress, Senators, former Department officials, and outside experts, with the following four principles as a guide:

- Those programs deemed unnecessary or wasteful are terminated.
- Those programs duplicative of other departments or agencies are consolidated.
- Those programs that serve a valid purpose are transferred to more appropriate agencies.
- Those programs which can be better performed outside the government will be privatized.

Following is a brief agency-by-agency description of the legislation. The terminations, transfers and consolidations are to be completed over a thirty-six month period under the direction of a temporary Commerce Programs Resolution Agency. The savings indicated are preliminary Congressional Budget Office figures over five years.

#### *Administrative Functions*

The Office of the Secretary, General Counsel, Inspector General, and other administrative functions are terminated.

Estimated Savings: \$250 million

#### *Economic Development Administration*

The EDA provides grants and assistance to loosely-defined "economically depressed" regions. EDA's functions are duplicated by numerous other federal agencies including the Departments of Agriculture, HUD, and Interior, the Small Business Administration, the Tennessee Valley Authority and the Appalachian Regional Commission. The parochial nature of the program often targets EDA grants to locations with healthy economies which do not need federal assistance. The EDA is terminated and its grant programs eliminated, transferring outstanding obligations to the Treasury Department for management or sale.

Estimated Savings: \$1.139 billion

#### *Minority Business Development Agency*

Although MBDA has spent hundreds of millions on management assistance -- not capital assistance, since 1971, the program has never been formally authorized by Congress. The MBDA's stated mission, to help minority-owned businesses get government contracts, is duplicated by such agencies and programs as the Small Business Administration and its failed 8(a) loan program, and Small Business Development Centers, along with the private sector. The MBDA would be terminated and its 98 field offices closed.

Estimated Savings: \$183 million

#### *United States Travel & Tourism Administration*

This Administration seeks to promote travel and tourism in the United States through trade fairs and other promotional activities. According to the Heritage Foundation, "the agency often works with private sector organizations, including the Travel Industry Association of America, to organize events such as the 'Discover America Pow Wow' or the 'Pow Wow Europe.' There is no justification for federal involvement in such promotional activities of a commercial nature." Because functions such as these are already extensively addressed by states, localities, public sector organizations, and the private sector, the USTTA is immediately terminated.

Estimated Savings: \$75 million

*Technology Administration*

The Technology Administration currently works with industry to promote the use and development of new technology. Because government in general, and the federal government in particular, is poorly equipped to "pick winners and losers" in the marketplace - frequently allowing political criteria rather than market criteria determine the choice - this agency is terminated, including the Offices of Technology Policy, Technology Commercialization, and Technology Evaluation and Assessment.

The Industrial Technology Service programs, including the Advanced Technology Program (ATP) and the Manufacturing Extension Partnerships, are terminated; these programs are often cited as prime examples of corporate welfare, wherein the federal government invests in applied research programs which should be conducted in the private sector.

The weights and measures functions of the National Institute for Standards & Technology would be transferred to the National Science Foundation. The National Technical Information Service, a clearinghouse for technical government information, would be privatized.

Estimated Savings: \$1.872 billion

*National Telecommunications and Information Administration*

The NTIA, an advisory body on national telecommunications policy, would be terminated, including its grant programs. Federal spectrum management functions would be transferred to the Federal Communications Commission.

Estimated Savings: \$315 million

*Patent & Trademark Office*

Providing for patents and trademarks is a Constitutionally-mandated government function. Our proposal would transfer this office to the Justice Department, requiring the PTO to be supported completely through fee collection.

Estimated Savings: \$375 million

*Economic & Statistics Administration*

The Bureau of the Census, another Constitutionally-mandated function, is transferred to the Treasury Department. Select General Accounting Office recommendations for savings at the Bureau would be implemented. The Bureau of Economic Analysis is transferred to the Federal Reserve System to ensure the integrity of data. The superfluous ESA bureaucracy would be eliminated.

Estimated Savings: \$827 million

*National Oceanic & Atmospheric Administration*

While the activities of NOAA are only tangentially related to the promotion of commerce, it makes up over 40% of the Department of Commerce budget. The individual functions of this agency would be sent to more appropriate agencies or departments:

*National Marine Fisheries Service* - The enforcement functions of this agency would be transferred to the Coast Guard, while the scientific functions would be transferred to the Fish and Wildlife Service. Seafood inspection would be transferred to the Department of Agriculture, which already carries out most food inspection programs. State fishery grants and commercial fisheries promotion are terminated.

*National Ocean Service* - Geodesy functions are transferred to the U.S. Geological Survey. Coastal and water pollution research duplicated by the Environmental Protection Agency is terminated. Marine and estuarine sanctuary management would be transferred to the Interior Department, which already manages some fisheries. Nautical and aeronautical charting is privatized, as the private sector undertakes this activity already.

*National Environmental Satellite, Data & Information Service* - The weather satellites of this agency are transferred to the National Weather Service to consolidate these functions, while the NESDIS data centers would be privatized.

*Office of Oceanic & Atmospheric Research* - Because many of its activities are duplicative of other federal agencies or could be better served by the private sector, this office is terminated. The labs which could operate in the private sector will be sold and the remaining labs will be transferred to the Interior Department.

*NOAA Corps* - The NOAA Corps is terminated and its vessels sold to the private sector. Services can be obtained in the private sector and its fleet is in disrepair.

Estimated Savings: \$2.338 billion

*Bureau of Export Administration*

The BXA is one of several agencies responsible for monitoring U.S. exports that may , compromise national security. Because this function remains important to the country, our legislation would reassign these functions as follows:

*Export Licensing Functions transferred to the State Department* - The determination of export controls would be transferred to the State Department, where some licensing functions are already performed. The United States Trade Representative would advise the State Department in disputed cases.

*Export Enforcement Functions transferred to Customs Service* - The Customs Service, which already has the staff, expertise, and facilities, would enforce the export licensing determined by the State Department.

Estimated Savings: \$91 million

*International Trade Administration*

The Department of Commerce claims to be the lead in trade promotion, but actually plays a small part. Five percent of Commerce's budget is dedicated to trade promotion, and it comprises only 8 percent of total federal spending on trade promotion. The ITA is the primary trade agency within the Department of Commerce. Our legislation would transfer the offices of the ITA to agencies where their functions may be better performed:

*Import Administration transferred to the Office of the United States Trade Representative* - The USTR, which already plays a role in this area, would make determinations of unfair trade practices.

*U.S. and Foreign Commercial Service transferred to the Office of the United States Trade Representative* - The domestic component of USFCS is terminated, and the foreign component would be transferred to the Office of the United States Trade Representative, which already takes the lead in trade policy.

*International Economic Policy terminated* - This office would be terminated, and these functions would continue to be carried out by the USTR.

*Trade Development Functions terminated* - The functions of this office would be terminated and replaced with a series of Industry Advisory Boards, composed of representatives from the private sector to provide advice to policy makers, at no cost to the federal government.

Estimated Savings: \$294 million

**TOTAL SAVINGS**

**OVER FIVE YEARS: \$7.765 Billion**

Mr. HORN. We are going to operate under the 5-minute rule for questions, and we will continue the rounds until the time is expired, roughly at 10 o'clock when the Secretary of Commerce is expected.

Let me ask you. You point out that each of the four departments that the freshman group has talked about eliminating uses a variation of the resolution agency idea. Instead of creating a separate agency for each of the departments that you are talking about, wouldn't it make sense to have a single governmental unit, perhaps in the Office of Management and Budget, that has experience in dismantling and can use what they have learned from one dismantling to another to be the continuity and provide the sort of institutional culture and history as to how best to dismantle a department?

Mr. CHRYSLER. I think that is an excellent suggestion, Mr. Horn, and certainly this sub-level Cabinet agency that we are talking about to oversee the dismantling of the Commerce Department could become the blueprint to be used to dismantle other Government agencies, such as Education, Energy, HUD and Labor.

Mr. HORN. Is Labor one of the ones you have targeted also?

Mr. CHRYSLER. It is one of them that have been suggested in these discussions, yes.

Mr. HORN. There is a proposal by our colleague, Mr. Gunderson of Wisconsin, that would merge Education and Labor into a Department of Human Resources. Has your task force looked at that and taken any position on it?

Mr. CHRYSLER. We have looked at it, and we are waiting to see more details on it. We have not taken a position on it.

Mr. HORN. I notice comments were made earlier in some of the opening statements, and I happen to agree with them, that I haven't heard a peep from anybody that wants to preserve the Department of Commerce. What has been your experience—of those of you on the task force that have at least received a lot of publicity on it, have you received many letters from your constituency or elsewhere that this is the most important vehicle known to the government of United States and should be preserved for posterity?

Mr. CHRYSLER. Very, very few. The few that you do get are usually in the form of phone calls, and they are concerned about the trade portion of this thing.

The Department of Commerce, less than 4 percent of its budget is devoted to trade. My colleague, Mr. Mica, has put forth a proposal to create an Office of Trade to consolidate the 19 different Federal departments of trade into one Trade Department, which would put us on a level playing field with all of our trading partners, such as Canada, France, Germany, Japan, Great Britain, as having one consolidated Office of Trade to deal with trade issues; and I think that, as a companion bill to H.R. 1756, makes a lot of sense.

Mr. HORN. I note that you would transfer the Patent and Trademark Office to the Justice Department. That doesn't particularly ring too many bells with me. Now, the Library of Congress has the copyright function. Did you think about the Library of Congress to put the Patent and Trademark Office? It seems to me it is just a housing function. It runs by itself.

Mr. CHRYSLER. It really does. It is a self-funding agency; and because of it being a self-funding agency, being paid for by people that pay for patents and trademarks and copyrights, it, in fact, has to pay \$111 million a year to the Department of Commerce just to be in the Department of Commerce, although the Department of Commerce only acknowledges receiving \$85 million a year. There is another \$26 million that we are still looking for in there.

But one agency should not have to pay to another agency taxpayers' money just to exist. And so, even though we have suggested where the Patents and Trademark Office should go, it may make some sense to even have a freestanding agency rather than having it pay a stipend just to exist.

Mr. HORN. That is all the questions I have at this time. I am now going to yield to Mr. Spratt for the minority.

Mr. SPRATT. Mr. Chrysler, as you can understand, coming from a region with a lot of automobiles, I am from a region with a lot of textile and apparel industry, and its job base is shrinking and will shrink more because of deliberate decisions made by the government in the Uruguay Round and GATT that phases out all quotas.

Among other things, you propose simply to abolish the Committee for the Implementation of Textile Agreements. Which inter-agency body or which agency of the government then will see to it that these agreements are continually monitored and acted upon?

Mr. CHRYSLER. Well, one of the things we looked at with each one of these programs—and there is over 100 programs in the Department of Commerce—as you know, 71 of the programs are duplicated someplace else within the Federal Government, and one of the things that we looked at, we asked ourselves a couple of questions: Should the government be in this business, No. 1; and, No. 2, is this program worth having our children pay for it? And certainly that program that you mentioned certainly fell in that category, and we felt it was duplicated elsewhere in the Federal Government.

Mr. SPRATT. Where? That is the question I have. Who is going to administer textile agreements?

And, by the way, this body meets sometimes twice a month because there is an enormous volume of textile export-imports coming into this country, \$40 to \$50 billion a year, some of which exceed quota agreements, some of which our domestic industry is entitled to protection from because of surges, and so there are calls for consultations. It is almost a daily administrative task in seeing to the implementation of these particular agreements. They simply are not self-executing.

So if you give any of these functions to the ITC, who is mainly an adjudicatory body; and it mainly sits and waits for somebody to come to it and ask it to do something. It is not an advocacy body. Its analytical and data collection efforts are not given over to being an advocate for other branches of the government.

I mentioned, by the way, and I would like to ask unanimous consent to enter in the record a letter to Bob Inglis, Congressman Bob Inglis from Frederick B. Dent, chairman of Mayfair Mills, former Secretary of the Department of Commerce under the Nixon administration, and he says what I have just said.

Mr. HORN. Without objection, it will be included in the record.

Mr. SPRATT. He follows up the statement in the Budget Committee report proposing the transfer of the Office of Textile and Apparel over to the ITC, International Trade Commission, and says—because he says there are alleged duplications.

He said, "This is a patently inaccurate statement to which I can attest from experience. The Office of Textile and Apparel is the sole entity which has responsibility for administering the 10-year phaseout of the GATT Long-term Textile and Apparel Agreement." That 10-year phaseout is just beginning. It has got nearly 10 more years to run its course. "This function is mandated by the GATT agreement confirmed in December 1994 by the U.S. Congress.

"The ITC is responsible for adjudicating international trade complaints. The Customs Service carries out the responsibilities of controlling imports into this country. USTR's function is to negotiate trade agreements. State's responsibility relates to diplomatic obligations of our country.

"It is urgent that the functions of the Office of Textile and Apparel be continued during the 10-year phaseout."

This is a small piece of it, but I—as this man attests to, as a prominent Republican, former Secretary, and is well positioned to know, you simply haven't provided for it. And extrapolating from that, I think there are probably many other instances here where in your haste to do something—I understand that your motives are sincere, and I don't question them. I just think that there are a lot of significant functions of the government that are going to go unmet.

In this case, this is a commitment by the government to the textile and apparel industry for a 10-year phaseout that will just fall flat on its face once you abolish the Committee for the Implementation of Textile Agreements.

Mr. CHRYSLER. Well, certainly, as we already mentioned, less than 4 percent of the Commerce Department deals with trade, and certainly the area you are mentioning is one of them. You asked me where we would put that agency or where it is duplicated. There are 19 different Federal agencies that deal with trade. We would consolidate those into the Office of Trade, and I guess I would just ask, why do we have one agency that negotiates market access and another that pursues those markets? Doesn't it make more sense for both functions to be under one roof?

Mr. SPRATT. Sure. Put them under the Commerce Department. I am not asking for a separate independent agency to do it, but I am asking for an office which has that focus, that expertise, that experience, that data base to carry out this function to do it, that has read the multi-fiber arrangements, understands the agreements for textiles and clothing connected with the Uruguay Round and GATT, has that expertise; not a bunch of people down there at the ITC that don't have the expertise, experience, data base or the mandate and charter to do it.

Mr. CHRYSLER. I believe that is what the Office of Trade would give us, is people that could not only negotiate market access but could also pursue those markets; and it would put us on a par basis with our major trading partners of having one consolidated Office of Trade. I think we could do a better job than this country

has ever done in trade, we could knock the socks off of any country in this world if we got our act together, consolidated—there were 19 different departments—and came up with one very strong, unified trading agency that could compete in the global markets that certainly we have to compete in.

Mr. SPRATT. But does your bill call for the creation of another Cabinet department to absorb the trade administration functions, the trade promotion and protection functions of Commerce today, the ITA functions? Or is that something that you anticipate will happen if the Roth bill or something else moves separately and independently?

Mr. CHRYSLER. It is a companion bill with H.R. 1756 offered by Congressman Mica that will be creating the Office of Trade.

Mr. SPRATT. Thank you, sir. My time is up.

Mr. HORN. We will get back to the gentleman. You will have the closing round here I would say to the gentleman from South Carolina.

I now yield to the gentleman from Virginia, Mr. Davis, for questions.

Mr. DAVIS. Dick, welcome and thank you for your testimony.

Let me ask you, what functions of the Department of Commerce would be abolished or privatized under your proposal?

Mr. CHRYSLER. The Economic Development Administration would be eliminated. The National Telecommunications and Information Agency would be eliminated. The Minority Business Development Agency would be eliminated. The U.S. Travel and Tourism Administration would be eliminated. The Advanced Technology Program and other programs that make the Commerce Department the golden goose of corporate welfare would be eliminated. And we would cut over \$2 billion from the National Oceanic and Atmospheric Administration, preserving the weather side of the National Oceanic and Atmospheric Administration but eliminating the other side of it.

Mr. DAVIS. OK. So those are the departments. What functions? There is a difference between asking what departments go and what are the functions. What is the Commerce Department doing now, if you can try to translate for us, that you think they shouldn't be doing in the future? You have talked about the part of NOAA. What part of NOAA that they are doing now would they not do under this?

Mr. CHRYSLER. Certainly the Commerce Department is the golden goose that laid the corporate welfare egg, as Robert Reich refers to it. They give away over a billion dollars each year in outright grants and handouts to major corporations around this country, certainly they do not need the taxpayers' money to do that.

And so when it comes to the National Oceanic and Atmospheric Administration, there is the weather side of it and then there is the other side of it where they literally have a full fleet of ships, three commanders that run those ships. They are uniformed officers. All of that can be consolidated certainly within other government agencies in order to streamline and let the taxpayers get a better bang for their buck.

Mr. DAVIS. What made you look at the Department of Commerce basically as the primary candidate for dismantling? Was it the fact

that you have got Census and NOAA and all these dissident groups kind of put together under one umbrella, or what was it?

Mr. CHRYSLER. You make a good point, that 60 percent of the Department of Commerce has very little to do with Commerce, such as NOAA, the Census Bureau, Patents and Trademarks, which we have already talked about. From my perspective, having been in business for 25 years, having created jobs and having done business in over 52 countries around the world and never even having to call the Department of Commerce and/or have them call me in order to achieve that, I just looked at it from my own personal experience and then started making some phone calls and talking to other people and found that the Department of Commerce, in fact, really is not the voice for business. The business community would like to see a balanced budget and capital gains tax and things that could really help them strive and grow and create jobs and put people to work worldwide.

Mr. DAVIS. I would just add this. This is my perspective, is you take a look globally at how we have become a borderless economy. One of the areas where I think the United States can excel is in high technology across world markets. It seems to me that we want to maintain that edge, and maybe under your proposals we are going a little further than we need to in terms of cutting programs that help us maintain that technological edge in exporting technology and the like. I think we are willing to listen.

I applaud you for this. It has been a long time since somebody has talked about abolishing an agency. All we do is keep adding to the base. If we don't balance the budget, if we don't get this whole budget monster under control, not just business but everybody is going to be eaten up. So I applaud you for that, as I just try to sort out in my own mind what the proper role is. I think you have given us a lot of food for thought here today, and I thank you very much for that.

Mr. CHRYSLER. Mr. Davis, if I could just add to that, in the areas of technology and development of those ideas, rather than just giving away taxpayers' money, I think our Congress could look at some antitrust issues in that particular area which may help companies band together to develop new technologies for worldwide consumption.

Mr. DAVIS. OK, thank you very much.

I yield back, Mr. Chairman.

Mr. HORN. I thank the gentleman, and I now yield 5 minutes for the questions of the distinguished chairman of the Subcommittee on Civil Service, Mr. Mica of Florida.

Mr. MICA. Thank you, Mr. Chairman.

Mr. Chrysler, I guess they just haven't gotten it yet, that there is going to be a dismantling of one Cabinet-level department. Is that correct? Does that seem to be the problem, a little miscommunication?

Mr. CHRYSLER. With a little help from my friends in Congress, I believe that is what is going to happen, Mr. Mica.

Mr. MICA. It is amazing to come back after almost a month away and you get out to the real world where the people are conducting business and actually some productive enterprise and you explain the proposal that makes so much sense. If you were in business,

you would reorganize your organization that was operating inefficiently and ineffectively and costs—tremendous cost overruns almost instantaneously with a corporate decision, and yet they seem to reject the notion that you can reorganize government in any fashion. Is that correct? Do you feel the same way?

Mr. CHRYSLER. Well, many of us certainly had to look at that in our business lives, and I applaud Chairman Clinger for having the hearings around the whole United States to listen to business leaders, successful county executives and Governors and city mayors who have, in fact, followed that same path of downsizing, creating a more effective and efficient government.

Mr. MICA. One of the things that I want to point out to the subcommittee is that, Mr. Chrysler set sort of the framework for the dismantling. And, actually, if you read his bill, it has a great proposal in here for examining carefully where various functions should go and making sure that they are examined to see whether they are cost-effective and can be continued as a true governmental function, eliminated, transferred or privatized. And so you have indicated your willingness to be flexible on the disposition of some of these current activities; is that correct?

Mr. CHRYSLER. That is absolutely correct. I think a good idea is always shared with other people that have their input and that becomes a great idea.

Mr. MICA. And to allay some of Mr. Spratt's fears, for example, I think we have talked about export control and export administration. I think you have worked very closely with us to try to see that those activities are properly lodged as we dismantle and reorganize the Department of Commerce; is that correct?

Mr. CHRYSLER. Yes. I have enjoyed certainly working with yourself and becoming a cosponsor of your bill to create an Office of Trade so that we can create a more efficient trade operation.

Mr. MICA. One of the other areas that we looked at in your legislation that we see needs some attention is the domestic Offices for Trade Assistance, and the proposal that I put forth does retain those. They do serve at this time a useful function.

I think Mr. Spratt has also raised a couple of questions, looking at the positioning of the Textile Office and Mapping Office, Patents and Trades. I think all of those things can be closely examined, and if we find some better place of positioning them, some more appropriate final disposition, that can also be achieved so that the process is orderly, so that the function, if it is truly governmental, can continue. Wouldn't you agree that can be achieved?

Mr. CHRYSLER. Certainly we would ask Mr. Spratt and others on the other side of the aisle to join us and help us come up with good, creative solutions and ideas that will make this a better agency for the people in this country.

Mr. MICA. What is interesting, if you examine the creation of the Department of Commerce, everyone admits to it being a dumping ground for all the various activities over the years, and now this is an opportunity to see that the proper functions, governmental functions, are retained, others are privatized and others are moved to appropriate locations; and I think your bill can help us accomplish that.

Mr. CHRYSLER. Of the 100 programs in the Department of Commerce, 97 of them are either duplicated someplace else in the Federal Government and/or in the private sector.

Mr. MICA. I thank you and yield back.

Mr. HORN. The gentleman from New Hampshire, Mr. Bass, 5 minutes for questions.

Mr. BASS. Thank you very much, Mr. Chairman.

Representative Chrysler, perhaps I will take the opposite tack of Congressman Mica here. It has been suggested that your plan to dismantle the Department of Commerce is ineffective and in effect, if you will, a shuffling of boxes around an organization chart. Notwithstanding the discussion of how much money will be saved, do you think that your bill is subject to criticism that this is simply a shuffling exercise or is it indeed a transformation of a Federal agency, which includes significant downsizing?

Mr. CHRYSLER. Well, it certainly does dismantle the Department of Commerce. Over 40 percent of the Department of Commerce will be eliminated. We will save about \$8 billion over 5 years and over 10,000 employees in the Department of Commerce will be eliminated.

Mr. BASS. As you know, I was involved in—at least in a peripheral fashion in the discussions about this bill. I was wondering if you could give us some background on how you came up with this idea of a temporary Commerce Programs Resolution Agency as a way to close down a Cabinet department? I think it would be interesting for the edification of the committee if you could give us some background on that idea.

Mr. CHRYSLER. Well, certainly as we looked into dismantling the Department of Commerce we felt it was necessary to have a sub-level Cabinet agency that could oversee the dismantling process, and we do not want that particular agency to become a policy-maker. We wanted them to become a caretaker to oversee the implementation of H.R. 1756, and to follow the specific blueprint that we pass with H.R. 1756. We wanted it to be done in an orderly and efficient manner, and we felt that establishing the Commerce Programs Resolution Agency as a temporary sub-level Cabinet agency would, over a period of 3 years, wind up all of the business of the Department of Commerce, which we thought was a logical and thoughtful way of dismantling a Cabinet-level position.

Mr. BASS. I would key on logical and thoughtful. It isn't easy doing what we are trying to do with the Federal Government and I'd like to commend you, Congressman Chrysler, for the imagination that you displayed in coming up with this very unique mechanism, which I believe will work.

And obviously, as is the case with any piece of legislation, it requires careful scrutiny, but I want to commend you for the courage that you have exhibited in bringing this landmark piece of legislation to this committee.

With that, I'll yield back.

Mr. CHRYSLER. I would just add, Mr. Bass, it was a collection of many Members of Congress breaking this department up into small categories and each Member taking that category and having input into this. So much more than myself.

Mr. HORN. Thank you very much.

I now yield 5 minutes to the gentleman from South Carolina, Mr. Spratt.

Mr. SPRATT. I think the gentleman from Minnesota was next.

Mr. HORN. Very good.

Mr. PETERSON. Thank you, Mr. Chairman, I apologize for being late. And I'm not sure if I know enough about this to be able to ask an intelligent question, but I'll try anyway. The thing I am concerned about is the weather components of what's being done in the Department of Commerce and where that's being transferred, or if it is being transferred, if it is being eliminated.

And this is where I'm not sure if I know enough about this to be able to ask the right questions, but apparently we're doing weather types of work in a number of different departments. The one I'm familiar with is the Aviation Weather because I use it all the time when I'm flying. But I am told that there's some components of this that are apparently being done in the Department of Commerce that are used by these other weather folks.

Are you familiar with this? Have you heard about it and can you explain to me where this is going?

Is it going to be privatized?

Is it being transferred to some other agency?

Is it redundant? Not necessary?

Mr. CHRYSLER. You're doing just fine, you're doing great. The part of the weather agency, certainly that's very critical to people that fly a lot, like many Members of Congress. Certainly the satellite weather stations that are manned by NOAA.

Actually, the best department in the Federal Government at managing weather satellites is in fact the Air Force. They do the most efficient and effective job. And again it's a case where we have more than one Government agency doing the same task. And we feel that the management of the satellites, which give us much of our weather information certainly for flying, would be best achieved in the Air Force.

Mr. PETERSON. So, Mr. Chairman, Mr. Chrysler, you would transfer that management responsibility to the Air Force?

Mr. CHRYSLER. Yes.

Mr. PETERSON. What—at the present time they're managing—NOAA is managing how many satellites, do you know?

Mr. CHRYSLER. I don't know the exact amount, but obviously many of the weather satellites are managed by NOAA. Other satellites, the majority of the satellites in the Federal Government, are managed by the Air Force.

Mr. PETERSON. Right. Does NOAA actually provide any weather forecasting kinds of things like to the maritime industry, are you aware if they're providing any kind of functions like that?

Mr. CHRYSLER. They certainly are providing—there's really two different halves, if you will, of NOAA. One is the National Weather Service which does provide, you know, weather information. The other is—they have a fleet of ships which could be equally managed just as well by the private sector—most of those ships, almost all of them, have to be replaced at this point and it's about a \$2 billion effort just to replace these ships that NOAA has. And so either by privatizing those or some of that work could be done by the Coast Guard.

There are, when you talk about mapping for maritime, there are many private agencies that do a very excellent job mapping for maritime use. And if the Federal Government was not in that business, they would even do a better job because, you know, they get undercut, of course, on their prices.

Mr. PETERSON. One of the things that—I held some hearings when I was chairman of the oversight committee of the FAA—that I'm interested in, is getting to the point where we can use the satellite system, and I think we're fairly close, using the satellite system to transmit the weather data directly to the cockpit of the airplanes. And the technology is there, it's just a matter of making it all work.

And there's some controversy, some people don't think we should put the information into the cockpits, we should just leave it with the air traffic controllers and so forth. The reason I was asking these questions is what I'm wondering is if what you're doing is going to make it easier or harder for us to get to that point? Again I haven't done my homework here so I'm not sure if I am able to ask the right question, but has anybody talked to you about that component of this in response to your bill?

Mr. CHRYSLER. Absolutely, and I agree with you 100 percent. The more user friendly we can make these systems, the more direct access we can provide information to the people that truly need it, which are in fact the pilots in this case, and over the years that process has developed to where literally if you are lost at sea and you have an EPIRB, emergency locator, you can literally be picked up by a commercial airline at sea, your signal and your position can be pinpointed within 500 feet of where you in fact are. So it makes it much easier to rescue people that are lost at sea.

Mr. PETERSON. Well, I appreciate the work that you're doing and I think that there's some parts of the Commerce Department that need to be maintained and I need to figure out exactly where you're putting them in these agencies, but we look forward to working with you and hopefully I'll have time to take a look at this and visit with you about these questions.

Thank you.

Mr. CHRYSLER. We appreciate your input.

Mr. HORN. I now yield 5 minutes to the gentleman from Florida, Mr. Scarborough.

Mr. SCARBOROUGH. Thank you, Mr. Chairman, and I certainly appreciate the opportunity to participate in this hearing and appreciate you holding it in this committee. And, Congressman Chrysler, I'd like to commend you working alongside with you in the New Federalists in the freshman group, putting these proposals together.

I'm very thankful that you took part in this and I think as a self-made millionaire, somebody that worked himself up from an entry level position to owning your own successful business, I think that you're the perfect person to work in this area.

Let me ask you this question. What—in all the years, and I may have missed it in your testimony, in all of your years of developing and creating a successful small business, how much contact did you personally have with the Department of Commerce?

Mr. CHRYSLER. Well, having done business in over 52 countries and we have over 1,200 employees, the answer is none.

Mr. SCARBOROUGH. OK. You know, I—looking at a Wall Street Journal article, which I think the timing is impeccable, it talks about all the corporate welfare that the Department of Commerce doles out to industries and corporations across this country.

Does your proposal attack corporate welfare?

Does it go after some of these pet projects that special interest groups have been so supportive of getting from Washington for some time?

Mr. CHRYSLER. Well, Mr. Scarborough, part of the Department of Commerce that really does promote corporate welfare is the single fastest growing part of the Department of Commerce. And it will reach almost \$1 billion this year, with almost a 200 percent increase. It started out at about \$9 million just in 1990, and it has grown to over \$1 billion. So it is just tremendously out of control. And our bill eliminates all of that.

Mr. SCARBOROUGH. And what part is that?

Mr. CHRYSLER. That's the advanced technology program.

Mr. SCARBOROUGH. OK. So you say that's approaching \$1 billion right now, \$1 billion per year?

Mr. CHRYSLER. Yes, \$940 million this year, and to go—at least asked by the President's budget, to increase over \$1 billion next year.

Mr. SCARBOROUGH. OK. Thanks.

Let me ask you one final question, which your testimony leads into. I've heard a lot of naysayers say that cutting the Department of Commerce would not save us a cent. What's your best estimate on how much elimination of the Department of Commerce will save the American taxpayer?

Mr. CHRYSLER. The Congressional Budget Office estimates almost \$8 billion over 5 years.

Mr. SCARBOROUGH. Eight billion, and that's CBO's estimate, right?

Mr. CHRYSLER. Yes, it is.

Mr. SCARBOROUGH. OK.

Thanks a lot, Congressman Chrysler. I certainly appreciate your efforts and I yield back the balance of my time.

Mr. HORN. I thank the gentleman. And now the final questioner for the panel will be the gentleman from South Carolina, Mr. Spratt.

Mr. SPRATT. Thank you, Mr. Chairman.

Mr. Chrysler, Mr. Mica said that some of us don't get it, and he's right, I don't get it. He says that the American people want us to dismantle a cabinet department, that's what the purpose of this bill is.

But then I heard from the witness that there's a companion bill that recreates most of the functions of this department with respect to international trade. So we destroy one Government agency, dismember its remains and spread them about the city of Washington, and then recreate another one. So the net gain is zero in terms of cabinet departments. Am I not correct?

Mr. CHRYSLER. No, you are not correct. Less than 4 percent of the Commerce Department—

Mr. SPRATT. Well, is the international trade department of the companion bill to be a cabinet department?

Mr. CHRYSLER. Less than 4 percent of the Commerce Department has anything to do at all with trade. There are 19 different Federal departments that do have something to do with trade. The lead agency is not the Department of Commerce.

It, in fact, is the USTR and the Department of Agriculture has the largest portion of the dollars for the Department of Trade. And those are what we would like to see consolidated into the Office of Trade.

Mr. SPRATT. But will it be a cabinet level department?

Mr. CHRYSLER. It does some totally different—

Mr. SPRATT. Under the Mica bill, will it be a cabinet level department?

Mr. CHRYSLER. We take some 19 different departments and put them into one agency.

Mr. SPRATT. Agency or department? Will it be a cabinet level department?

Mr. CHRYSLER. It's called an Office of Trade and it will have a cabinet level status.

Mr. SPRATT. OK. So we have destroyed one cabinet level department and created another. The net gain is zero; isn't it?

Mr. CHRYSLER. Well, if you—

Mr. SPRATT. So I don't get it.

Mr. CHRYSLER [continuing]. Destroy 96 percent of one agency and keep 4 percent of it, we'll let the American people decide.

Mr. HORN. If the gentleman will let me yield for a question right here, and you will have extra time. We do not create cabinet level departments. The President of the United States can invite any soul he wants into the cabinet. We can create a department, we can create an agency, we can create an administration. But the choice of who's in the cabinet is not the Congress'. It's the President's. That's just a little bit of history.

Mr. SPRATT. OK. I yield to the superior knowledge of political science and experience of my distinguished chairman.

Let me just say I'm in good company, too, if I don't get it, because let me read to you what the chairman, CEO of Boeing, a major American exporter, said. He says the elimination and transfer of the functions of the International Trade Administration and its Bureau of Export Administration and the transfer of these trade functions to diverse agencies at a time when other countries are actively supporting their exporters would signal this government's retreat from the global marketplace and undermine the competitive position of U.S. companies, Frank Shrontz, chairman and CEO of the Boeing Co.

And in my State, I come back to textiles. Roger Miliken, as you well know, has been the quintessential Republican, conservative in South Carolina and throughout the country. He says the Department of Commerce is the only Federal agency that promotes a pro-business perspective within the interagency policy process. So I'm in good company if I don't get it.

Mr. CHRYSLER. Certainly I've talked to a few of those same chief executive officers of those major corporations that have benefited from the Commerce Department. And they have told me unequivocally

cally that if they can have an Office of Trade that can compete with our trading partners on a level playing field, they would be more than happy to see the Department of Commerce dismantled, because the Department of Commerce is not the voice for business.

It, in fact, is opposed to most of the interest of the business community, such as capital gains tax, balanced budgets, tort reform, regulatory reform. That's what the American business community wants to see. They want to see government off of their backs, let them produce their products at a very fair and competitive price, and very quality products.

That's what they're asking for.

Mr. SPRATT. So Roger Miliken is mistaken when he says, "Commerce is the only Federal agency that promotes a pro-business perspective within the interagency policy process," he's wrong?

Mr. CHRYSLER. I would say that an honest 99 percent of the businesspeople in this community would disagree with that statement.

Mr. SPRATT. Let me just—we don't have time to cover everything, but let me ask you one particular question that I'm just beginning, like my colleague from Minnesota, to understand the implications of this. The weather satellites will be owned by the Air Force, is that your proposal?

Mr. CHRYSLER. Managed.

Mr. SPRATT. Managed by the Air Force. Who would own them? Which agency would pay for them and how—and would then pay the Air Force to manage them?

Mr. CHRYSLER. That's one of the processes certainly we are going through this month here in Congress as these authorization bills where we authorize different departments to own those satellites.

Mr. SPRATT. Well, who would own the weather satellites? I mean, this is certainly an essential part. I'm a coastal State. I don't want to be without the weather satellite surveillance system.

Who's going to own them and who's going to pay the Air Force? Because I can tell you sitting on the Armed Services Committee, they're going to be paid, and paid dearly. They are not a low cost operator. I know they're super when it comes to technology, but having lived through the cold war and the satellite program, having been critical to national defense, we have spared no expense.

And consequently, we've had some satellite designs of recent vintage that have been vastly over-designed and far more expensive than we needed. So they are good, space command is excellent, but they're not the low cost operator. Who's going to pay them to operate the weather satellites?

Mr. CHRYSLER. They certainly are the best in the Federal Government at managing satellites that we have found, and so that's who would manage them.

Mr. SPRATT. They will manage them. Who pays them to manage it? They're not going to take it out of their hide. Where does the money to reimburse the Air Force for their expenses of managing these systems come from? Which agency procures the service and pays them for it?

Mr. CHRYSLER. As I mentioned, the authorization process will take the dollars from the NOAA budget for managing those satellites and transfer that to the Air Force budget.

Mr. SPRATT. OK. Then—but—but there's no NOAA anymore. I mean you're abolishing NOAA, so who will seek this money? Each year who will seek this money and see to it that the Weather Service satellites are providing the critical protection that they have provided for years now?

Mr. CHRYSLER. There certainly is a NOAA operation. No, that does not go away. NOAA, the weather portion of NOAA will go to the Department of Interior.

Mr. SPRATT. I see.

Mr. CHRYSLER. Which is where it should have been in the first place.

Mr. SPRATT. So they'll ask for the money and then give it to the Air Force?

Mr. CHRYSLER. And it should have been in the Department of Interior right from the beginning. I think it was Richard Nixon that decided he didn't like his Secretary of Interior so he put it in Commerce. It should have never been in Commerce in the first place.

Mr. SPRATT. Time is up.

Thank you, Mr. Chairman.

Mr. HORN. I thank the gentleman.

Now I have a letter here to you from the American Textile Manufacturers, too. Do you want that in the record?

Mr. SPRATT. Yes, Mr. Chairman, I request unanimous consent to have the letter of Mr. Walter Eli, the chairman of the American Textile Manufacturers Association, entered in the record.

Mr. HORN. Without objection, it will be added.

[The information referred to follows:]



## AMERICAN TEXTILE MANUFACTURERS INSTITUTE

1801 K Street, N.W. Suite 900 Washington, D.C. 20006-1301 TEL 202 862-0500 FAX 202 862-0570

May 31, 1995

The Honorable John M. Spratt Jr.  
U.S. House of Representatives  
1536 Longworth House Office Building  
Washington, DC 20515

Re: Commerce Department / OTEXA

Dear Congressman Spratt:

In response to recent initiatives to eliminate the Department of Commerce, I wanted to let you know of our industry's concerns in this area and to urge you not to support such efforts.

However, well-intentioned, we feel that proposals to terminate the Department of Commerce are short-sighted and would be damaging to America's international competitiveness. At a time when U.S. industry sells increasing amounts of products in other countries and establishes joint ventures offshore, the U.S. Department of Commerce is the key cabinet-level agency that assists U.S. businesses. We need a government agency that is focused on U.S. export priorities, stands firmly against foreign unfair trade practices, and represents American industry's position with countless governments that aggressively represent their own industry's interests.

In addition, the Office of Textiles and Apparel (OTEXA) identifies and works to eliminate specific barriers to our exports and administers and implements the government's textile program. In fact, we need to maintain OTEXA and the Committee for the Implementation of Textile Agreements (CITA) in order to meet our international trade commitments, and to administer the Uruguay Round agreement effectively.

It is vitally important to our industry that a separate Commerce Department be maintained to deal with trade matters which cannot be adequately performed by other agencies. If some of the non-trade programs of the department should be streamlined, eliminated or transferred to other agencies in order to reduce government spending, that can certainly be done without affecting Commerce's trade-related functions.

Please work with your colleagues to ensure that the effectiveness of OTEXA, CITA and the other trade-related components of the Department of Commerce are maintained.

Sincerely,



Walter Y. Eubank  
President

WYE/rfd



Mr. HORN. We promised the Secretary of Commerce he could come on about 10. I understand he's here, and if he will come and be sworn in, we will be glad to proceed with his testimony. And we thank you, Mr. Chrysler.

Now you're welcome to join us up here. I heard you had another committee hearing also, but you are a member of the full committee and you're welcome, without objection, to sit with us if you like.

Mr. CHRYSLER. Thank you, Mr. Horn. I do have to testify at another hearing and I will be back after that.

Mr. HORN. Well, we thank you very much for your testimony. It was very thoughtful. You've proposed some new ideas. It will take some time, I guess, for the adoption of some of them. But thank you for all the hard work of you and your colleagues.

Mr. CHRYSLER. Thank you.

Mr. HORN. We now have the Secretary of Commerce. And, Mr. Brown, we welcome you. And if you would raise your right hand. [Witness sworn].

Mr. BROWN. I do.

Mr. HORN. Please be seated. You are welcome to 20 minutes to give your statement, please summarize it. The full statement will be placed in the record. We've all read it up here. And we understand you are under a time constraint.

What is that?

Mr. BROWN. As long as I'm gone by 11 o'clock, Mr. Chairman, that would be great.

Mr. HORN. OK. Well, then let's do 15 minutes if we can, at the most, to summarize your statement, and then we will have 5 minutes for each Member for questions.

#### **STATEMENT OF RONALD H. BROWN, SECRETARY, DEPARTMENT OF COMMERCE**

Mr. BROWN. Thank you very much, Mr. Chairman.

I am very pleased to have the opportunity to be before the subcommittee this morning. I understand that other Members came in at the beginning of the session to make opening remarks, although I didn't have an opportunity to hear them. I look forward to reading them.

This morning you will hear about the relative merits of Title I of the Chrysler bill from the GAO and others. I just saw Congressman Chrysler leave the room, so I assume that he made his case for his legislation.

I would like to focus my remarks on the very grave concerns we have about the Chrysler bill here in the House, and similar legislation in the Senate, including its substantial errors in calculated savings. As you know, Mr. Chairman and members of the committee, the President has made clear that he will veto any bill that seeks to eliminate the Department of Commerce or attempts to kill its key programs, including the Advanced Technology Program, or tries to disperse its critical Commerce functions, which now are working synergistically, I might add, helter-skelter, around the government.

Let me begin this morning, Mr. Chairman, by saying that we need and I truly desire a thoughtful and constructive dialog on the future of the Commerce Department. But suggestions to eliminate

the Department leave many of us absolutely incredulous, particularly in this time of global competitiveness.

It is hard to imagine that America would be the only country in the world where the private sector would not have a seat at the Cabinet table. We in the administration obviously doubt that this is really a debate that is driven by a concern about America's economic future or a debate that is even driven about concern about the future of the Commerce Department or about downsizing or about saving money. We believe that this is a debate about symbolism, a debate about trophy hunting, if you will.

The notion that in order to be credible as a budget cutter you have to say we've got to eliminate a department or an agency, we believe that is wrong. It, I think, would result in something that would be tantamount to a unilateral disarmament in the battle for global competitiveness.

And that's what we're about. We're about building an economy for the future. We are about creating economic growth and with creating jobs for the American people.

Indeed, the inherent weaknesses of Congressman Chrysler's bill are as numerous as they are clear, and the proposal demonstrates no real savings. Transferring functions doesn't save money.

In fact, we believe it costs the taxpayers money and we are prepared to make that case and make it convincingly. Just box shuffling does not make government better, nor more efficient, or even smaller. And it seems clear that what has happened here is that there was an idea to eliminate at first several departments, and now evidently to focus on the Commerce Department.

And all of a sudden some folks looked up and said, oh, my goodness, there are some important governmental functions here, who's going to do them? So we'll just spread them around to other departments to do, which really doesn't cut out functions, it really doesn't save money.

What it does, is make us less efficient and less effective and less able to pull together in a way that makes America more productive and more competitive. The cuts that it focuses on, frankly, are the programs that are most important to the economic future of America, that are most important to our Nation's competitiveness.

First, the estimated savings that are claimed from the Chrysler bill of about \$7.8 billion over a 5-year period, are grossly overstated. First, there are errors in the estimation of overhead and other technical assumptions that amount to about \$2.3 billion, and we'll be glad to articulate those in detail for the committee.

In addition, the Chrysler bill does not reflect the costs of closing agencies, of terminating employees, dislocation and operating a Commerce program's resolution agency, as it is called in the legislation. Those costs are estimated at about \$2 billion, and we're prepared to demonstrate that. And it does not fund programs that are, in effect, congressionally mandated programs.

For example, the census, we all know that there is a ramp-up every 10 years to the decennial census. That's how you get to pay for it. It's not a flat allocation or appropriation each year.

The 5-year shortfall for the decennial census is about \$3.6 billion dollars, and for all census programs exceeds \$4.3 billion. And that is giving credit for the billion dollars that we have already pro-

posed saving for the 2000 census as compared to the 1990 census. The same is true of the NOAA assumptions.

There is an omission of funds to pay for continuation of congressionally approved weather satellite systems and compilation of the congressionally approved—or rather completion of the congressionally approved Weather Service Modernization Program, which, as all members of this committee know, is well underway. Additional satellites and Weather Service contracts alone exceed \$1.5 billion above the baseline that was used by the CBO.

Congressman Chrysler talks about savings from the Patent and Trademark Office. There are no savings. We've already made that a fee-funded operation. Taxpayer dollars are not involved in funding the Patent and Trademark Office, as claimed in the savings estimates.

Adding the \$5.8 billion in additional costs to the revised Chrysler estimate indicates that this bill would actually cost the taxpayer \$2.342 billion in additional expenditures. Those are numbers that have been looked at by OMB. We are prepared to provide the spreadsheets and whatever other information the committee needs in looking at this matter.

Second—

Mr. HORN. Just let's say without objection that will be inserted at this point in the record.

[The information referred to follows:]

Five Year Summary of Amended Chrysler  
as of September 21, 1995

	<u>1996 - 2000 Amount</u>
Chrysler estimate of savings:	<b>\$7.765 billion</b>
Less:	
Essential Programs Not Funded in the Chrysler Proposal	
Census	<u>-4.300 billion</u>
Weather Service Modernization	<u>-1.500 billion</u>
	<b>-5.800 billion</b>
Less Also:	
Technical errors (e.g. PTO fees)	<u>-2.317 billion</u>
Close-out costs (e.g. RIF fees)	<u>-1.990 billion</u>
	<b>-4.307 billion</b>
Total of errors and omissions	<b>-\$10.107 billion</b>
Funding needs exceed Chrysler Bill projected Savings by	<b>(\$2.342 billion)</b>

Mr. BROWN. Thank you very much, Mr. Chairman.

Second, the House appropriations bill demonstrates that savings don't require dismantlement. If this was really about savings, if it was really about downsizing rather than trophy hunting, the Appropriations Committee and the full House have already done that. And they've done it within the House budget resolution.

So these issues have been dealt with. This is not a discussion about how you save money for the taxpayer. The Appropriations Committees have done a good job.

Chairman Rogers, Chairman Livingston, have done it in an analytical way, they've set priorities. We've had discussions and debates. We've had some arguments about those priorities, but at least there's been an analytical look at what we do and why we do it and why it has importance to the economic future of America.

I'm not saying I agree with all of those decisions. I'm not saying I like all of those marks. I'm not saying I like the 602(b) allocations initially. But I will say that those committees worked their bill in consultation, in a bipartisan way, in consultation with those of us involved from the executive branch of government.

There are some things, such as the elimination of the ATP program, that the President and I and the entire administration have a great problem with. But the fact is, we looked at all parts of the budget of the Department and went through the full process. It was voted on by the full House of Representatives, within the mark that the budget resolution has set.

I think what that does is really make it clear, Mr. Chairman, as I've said a couple of times, this is not about saving money. Those decisions have already been made by the appropriations process. Many in the Congress, including Congressman Mica and others, are beginning to put philosophy and ideology aside, I believe, to really address the right questions, the appropriate questions.

And what is U.S. competitiveness really all about in the global economy? And what role does government have? That's a legitimate discussion, a legitimate debate. What does the Commerce Department do, how does it do it?

Are we doing it well? Are we doing it effectively? Is it making a difference?

I believe it is, and I believe any objective analysis would demonstrate that it is, and I believe that the words that have been said not only about what we've done in international trade but in technology really speak for themselves.

I see Congressman Mica just walked in. I've had a number of constructive conversations with him. He has caused me to be encouraged about the fact that there are some things that are of real importance to the future of America that we are doing in the Commerce Department. Many of those involve trade.

But even in Congressman Mica's presence, I must say that I believe that his proposal, at least the original proposal which I understand has been withdrawn and there might be a new one forthcoming, I believe has serious flaws. Not the least of which is putting USTR and Commerce trade functions together. I don't think they belong together.

I don't think it makes any sense to put them together and I'll tell you why. The trade negotiator has a very narrow focus. He also has

a staff of about 150 people, a very small staff, which is the kind that you ought to have for that kind of focused mission, but the trade negotiator has to think of a whole lot of things: workers rights, human rights, environmental concerns.

The trade negotiator is not a trade advocate. He is a negotiator by title. I think when you put those functions together, you weaken both the negotiator function and the trade advocacy function of the Commerce Department. These are ideas that have been talked about and looked at in the past.

As you know, there was a time that they were together and they were split apart for that very reason, because the judgment was made that that was not an effective way to operate. We don't believe that there's been any new information that shows now that it is an effective way to operate.

And to think of taking an entire International Trade Administration and putting it into the Executive Office of the President when in fact you're trying to cut down on the staffing of the Executive Office of the President, is not the appropriate way to go.

We believe that the Mica proposal does not address effectively the rest of the Department or solve any of the problems of the Chrysler bill in that regard. It is not a true consolidation of trade functions. As you know, there are some in the Senate who were talking about bringing in Eximbank and bringing in OPIC and bringing in TDA and other trade-related agencies.

Those are matters, too, that have been discussed before, and those are legitimate discussions to be had. There are some who think that they operate better as independent agencies. There are others who think it would be better to consolidate them.

But it seems to me in a time when we're trying to consolidate, to do more with less, to be more effective, to talk about just disbursing parts of the Department and creating a whole lot of new independent agencies, all of which are going to have to have their own IGs, their own public affairs, their own legislative offices, their own general counsel's offices, does not seem to be a way to streamline government, Mr. Chairman.

Even while preserving export promotion, the Mica bill would cut funding in ways that I believe are counterproductive. For example, the House just passed an appropriations bill, which I just discussed a moment ago, that provides more funding for the International Trade Administration than would be provided under the Mica bill.

And again, I would encourage members of this committee to look at the work of the appropriators, to look at the votes that were taken by the full House of Representatives on the appropriations bills. They are very instructive, indeed.

Nonetheless, I must say that the Mica bill does recognize the importance of trade. I'm glad that the Congress seems to be proceeding on what I consider to be a more rational course, and as I made clear earlier, I'm eager to join a serious and thoughtful dialog on what it takes to make American business more successful in trade and more internationally competitive.

Let me address just a couple of specific matters, Mr. Chairman. First is the matter of trade policy and trade promotion.

As Congressman Mica correctly states, the International Trade Administration and the Bureau of Export Administration are heav-

ily focused on promoting exports, whether it's trade missions or whether it's advocacy or whether it's export assistance centers or our trade promotion coordinating committee, that's what they do.

Folks talk about wanting to coordinate better. We have a Trade Promotion Coordinating Committee, mandated by the Congress of the United States. I chair that committee. And I believe that any objective analysis of the work that we've done over the last 2½ years would conclude that we have done a very good job of coordinating trade policy.

For the first time in American history we have a national export strategy. We have a plan, we have a strategy, we're implementing it and it's working. It's creating economic growth, it's creating scores of success stories in the international arena. It's creating jobs for the American people.

The same with our export assistance centers, which bring together SBA and Eximbank and Commerce in one location, to help who? Small and medium-sized businesses, to get them into the export marketplace, to help them grow, to help them create jobs for the American people.

The work we do in analysis and enforcement and antidumping and countervailing duty cases is terribly important. I see Congressman Spratt sitting here who has a special interest in textiles, among other matters. He knows of the work that we do in that important area.

I just left the White House 10 minutes ago where we were talking about implementation and monitoring of the new auto and auto parts agreement with Japan, with all the industry leaders there for the first time working in real partnership with an administration, to come up with a plan for monitoring that will be effective and that will produce results. But our work in trade even narrowly defined isn't confined to just these bureaus.

The Bureau of Economic Analysis and the Census Bureau provide the data that our businesspeople need to make intelligent business decisions, to be competitive. Everybody knows that data is vital. It's data that you can't do without.

Now, sure, you could say put it someplace else. But nobody argues that you don't need it. The work of our Technology Administration and our National Institutes of Standards and Technology is legendary. We've got to be No. 1 technologically if we're going to be competitive. You've got to have something to export.

You've got to stay on the cutting edge technologically. I know there's philosophical debate about the role of government. We're prepared to engage in that debate, but I remind you that the ATP program was a Reagan and Bush era program. We didn't create it. We've ramped it up because we believe in it, but it was a Republican program that we think makes sense for the future of the American economy.

I know the red light is on. If I could just take another minute to complete these remarks, Mr. Chairman.

There's the National Telecommunications and Information Administration, at a time when we're building a national information infrastructure and a global information infrastructure, one of the most important things we can do as far as productivity and competitiveness, certainly an appropriate role for government.

Could you stick it someplace else? You probably could.

Does it make sense to do that? I don't think so, Mr. Chairman.

The same can be said of NOAA. A lot of people say what is NOAA doing in the Commerce Department. Of course that's a question that gets asked every year. But every time there's an analysis of it, folks look at the various options and they end up concluding that it belongs in the Commerce Department probably better than anyplace else in government, and rather than being an independent agency, because it works as part of the synergistic effort that we've put together to create economic growth and jobs.

And I know people say, well, what does it have to do with commerce? For those of you from fishing communities, you try telling a commercial fisherman that he or she has nothing to do with the commerce of the United States. They'll probably throw you overboard. They've got a lot to do with commerce, coastal zone management, fisheries management.

The Weather Service has a lot to do with commerce. The competitiveness of our agricultural industries, the competitiveness of our transportation industries, all of those things work together well.

Can we do better? Absolutely, Mr. Chairman. We can do better.

[The prepared statement of Mr. Brown follows:]

Statement of Ronald H. Brown  
Secretary of Commerce  
Committee on Government Reform and Oversight  
Subcommittee on Government Management, Information and Technology  
on  
H.R. 1756, the Department of Commerce Dismantling Act  
September 6, 1995

Mr. Chairman, Members of the Subcommittee, I appreciate the opportunity to appear before you today. I want you to know that I come before this Subcommittee today with an open mind about how the work and the structure of the Commerce Department can be improved. I know you are giving this subject much thought, and I look forward to discussing these matters with you.

But on the underlying question of whether the United States of America needs a Commerce Department -- on this issue I cannot yield. I say this not because I am the Secretary of Commerce, and so have an allegiance to the institution that requires me to defend it. Rather, I am committed to the survival of the Department of Commerce because I believe firmly that the work of this Department, and the manner in which its various components relate to one another, is essential to the economic growth and well-being of this country. The issue for me is not whether, in these times of fiscal austerity, we can afford the Department of Commerce -- the issue is whether we can afford to be without it. We need the Commerce Department to create jobs and enhance economic opportunity for the American people. We need Commerce to represent American business interests at the highest levels of government, including at the Cabinet. We need Commerce to level the playing field and to provide the tools that American companies, workers, and communities need to remain competitive in the global economy, both here at home and abroad.

Frankly, I am a little disheartened that the need to have a United States Department of Commerce is not obvious to each member of Congress. Clearly this is not the case, because you have asked me to comment on a proposal that eliminates the Commerce Department -- a proposal that, in my view, terribly weakens this country in its battle to remain strong and competitive in the global marketplace. In considering this proposal, you need to understand that this is the President's view as well: he will veto any legislation that dismantles the Department of Commerce.

While we believe that the need for the Commerce Department will be apparent to anyone who looks closely at what we do, there is widespread recognition that dismantling Commerce's main trade functions as contemplated in H.R. 1756 simply will not work. Indeed, the bill's drafter put some distance between himself and his own bill on this score by recently announcing his support for Representative Mica's trade reorganization bill. It is not hard to see why he would walk away from the bill's trade provisions. As introduced, H.R. 1756 would silence the business voice at the Cabinet table. It would eliminate the commercial perspective on export control matters by sending the functions to the Treasury Department and to the State Department. It would shatter the organizational structure of the International Trade Administration (ITA) by eliminating essential international economic policy, trade development, and domestic field export promotion functions, while placing

other parts at the Office of the United States Trade Representative (USTR), Treasury, and the International Trade Commission. It would destroy the synergy already achieved by unifying programs with a commercial focus in a single department<sup>1</sup>.

That is why some members of Congress seek to preserve these important trade functions by establishing a new Department of Trade or greatly expanding the charter of the United States Trade Representative. Representative Mica's bill,<sup>2</sup> for example, would establish a new United States Trade Administration that would be created by taking pieces of the Commerce Department and combining them with USTR and the Trade and Development Agency. While I can appreciate the sentiment behind this approach, in reality it is little improvement over H.R. 1756:

- o First, as Ambassador Kantor noted in testimony before the International Relations Committee last month, USTR benefits enormously from its position within the Executive Office of the President as the President's chief trade negotiator and principal spokesperson on trade policy. The Office of the USTR was intended to be small and flexible to enable it to shift resources quickly where most needed. Placement of this office in a new United States Trade Administration will immerse the office in thousands of administrative details currently within Commerce's jurisdiction.
- o Second, the Mica bill presumes that consolidation of U.S. government trade functions is needed to "unify" and "coordinate" federal trade-related activities. On the contrary: U.S. trade policy has never been better coordinated -- or more successful.
  - *For the first time*, we have a National Export Strategy, which is well on its way to achieving its goal of increasing U.S. exports to \$1.2 trillion by the year 2000, thus supporting over 6 million jobs.
  - *For the first time*, we have a focused, Administration-wide trade advocacy strategy, with an Advocacy Center here at Commerce, in which the U.S. government "goes to bat" for American firms -- large and small -- as they battle for major overseas projects. Last year alone, the Advocacy Center assisted in 70 successful projects totaling some \$45 billion, accounting for some \$20 billion in U.S. exports and supporting 300,000 American jobs.
  - *For the first time*, we have energized the Trade Promotion Coordinating Committee under Commerce's chairmanship and brought under one umbrella all federal export promotion efforts. We have enhanced trade finance services, improved the delivery of trade information, identified new markets with high-growth potential, and provided high-level advocacy for American business.

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<sup>1</sup>We have attached to the testimony a copy of a summary of the Administration's reasons for opposing enactment of H.R. 1756.

<sup>2</sup>H.R. 2124

If the USTR functions are combined with Commerce export promotion functions, it could lead to actual or perceived trade-offs between long-term negotiating goals and immediate overseas business opportunities. Similar problems arise by merging USTR functions with the Commerce's quasi-judicial functions relating to enforcement of the countervailing duty and antidumping duty laws. The administration of these laws must be impartial and independent -- and it is important that they be perceived as impartial and independent as well. Merging the trade negotiation and trade-remedy enforcement functions in a single agency is an awkward fit at best.

- o Third, the Mica bill transfers only Commerce's most obvious "trade" functions, completely missing the vital trade functions performed by other components of the Department. As a result, the bill shares the problem of the Chrysler bill in that it destroys the synergy created by unifying commercial programs in one department. While ITA and the Bureau of Export Administration (BXA) are Commerce's two chief trade agencies, our trade functions do not stop there. We also provide support critical to international competitiveness through other bureaus, such as:
  - Providing critical technical support for international negotiations regarding product standards, conformity assessment practices, and standards infrastructure through the Technology Administration and its National Institute of Standards and Technology;
  - Participating in high-level, government-to-government, bilateral, regional and multilateral discussions to open telecommunications markets through the National Telecommunications and Information Administration (NTIA);
  - Supporting international negotiations on intellectual property issues through the Patent and Trademark Office (PTO); and
  - Providing technical support relating to environmental matters and international fishing agreements through the National Oceanic and Atmospheric Administration (NOAA).

In considering proposals to dismantle Commerce or reorganize its functions, we must make sure that we are not simply shuffling boxes or making changes for change's sake, but are improving the operation of the programs. If we define "trade functions" too narrowly, we will fail to provide industry with the support it needs to counter the actions of our trading partners.

- o Fourth, the underlying reason many admit the need for a trade agency is the recognition that playing fields are not level in the global marketplace. The Government has a duty to protect its commercial interests and make sure that United States businesses have every opportunity to win contracts abroad that mean jobs at home. At bottom, this concern is one which goes to the need to ensure that government does its part to promote the economic competitiveness of our businesses. But international trade is only one part of the competitiveness equation. "Trade" is

also a domestic concern because if you are not competitive abroad, you will not be competitive at home in light of today's intensely global competition. That's why we have reinvented all of Commerce's programs around a competitiveness theme. The "United States Trade Administration" will not work because it excludes the domestic side of trade. Just as we need to ensure economic opportunities abroad for our businesses, we must make sure that we are preserving their ability to compete here at home. Commerce already has in place programs that enhance that ability, including programs that relate to business counseling, advanced technology, intellectual property protection, quality management, and the economic data on which business depends. We also have programs in place to support improvements to the various forms of "infrastructure," from funding "on-ramps" to the information highway to building stronger communities through the Economic Development Administration. That's why we believe we already have a "Department of Trade" -- and it is here at Commerce.

My testimony will not dwell on the details of H.R. 1756 because I believe that the bill's deficiencies are self-evident. Nonetheless, it is important to understand the true budgetary impact of dismantling Commerce. First, it is not correct to estimate the cost savings of dismantling Commerce at \$7.8 billion. Most of the savings relate not to terminating the Department of Commerce, but to terminating grants and other programs within Commerce's various bureaus and reducing funding for all transferred functions by 25 percent. Of course you save money by not funding grant programs. I do not think these funding reductions are wise, but they have nothing to do with eliminating a Cabinet Department. In truth, the bulk of Commerce's historical functions are continued in one form or another through dispersal to 16 other agencies. Census functions performed at Treasury will cost just as much as they do at Commerce.

Indeed, as OMB Director Rivlin noted when the Chrysler Bill was introduced, it is doubtful that any savings would occur strictly from dismantling Commerce as contemplated in H.R. 1756. By using the FY 1995 CBO baseline from which to calculate savings, the Department estimates that the Chrysler bill is in fact more than \$5 billion short of minimum expenditures that must be made for continuing programs.

- ▶ **ERRORS AND OMISSIONS.** The Chrysler estimates, as scored by CBO, make the following substantial omissions and errors in their assumptions.
  - *Census:* The largest omission is that the CBO baseline does not include an estimate for the decennial census in the year 2000. The five year total decennial shortfall from 1996 to 2000 is \$3.6 billion, and for all Census programs exceeds \$4.3 billion. Also the Chrysler bill had claimed \$.8 billion from Decennial Census improvements with the \$7.765 billion saving estimate. However, since no funds are in the CBO baseline for the Decennial, the funds cannot be saved.
  - *NOAA:* Within NOAA, the estimates omit funds to pay for continuation of weather satellite systems and completion of the Congressionally approved

Weather Service Modernization program. The costs for procuring additional satellites and Weather Service contracts alone exceed \$1.5 billion above the CBO baseline for the modernization program. These costs are required to ensure future continuity of weather forecasts and warnings nationally.

- *PTO*: The Chrysler bill makes two substantial errors in its treatment of the Patent and Trademark Office. The Omnibus Budget Reconciliation Act of 1993 requires \$325 million to be appropriated from the PTO Surcharge Fund. The Chrysler bill would make those funds directly available to PTO, but does not identify an offset. Therefore, in terms of the deficit, the savings are overstated by \$325 million. Further, PTO collects 100 percent of costs in fees now. If PTO must reduce costs 25 percent as called for in the Chrysler bill, no reduction will accrue to the deficit because PTO already obtains these fees directly.
- *CPRA*: Establishment of a Commerce Programs Resolution Agency (CPRA) is assumed in the Chrysler bill, and would operate for three years. We believe that it would cost approximately \$150 million for that period, about the same as the Office of the Secretary and Inspector General currently cost.

**UNFUNDED COSTS IN THE CHRYSLER BILL.** The Chrysler bill does not reflect the costs of closing agencies, terminating employees, dislocation and operating a Commerce Programs Resolutions Agency. We estimate these costs at \$2 billion.

- *Termination costs*: A total of 12,685 FTE would be eliminated under the Chrysler bill assumptions, 35 percent of existing staff, in the first year after enactment. The closeout costs, RIF costs and dislocation costs would total \$1.526 billion for all of Commerce. The balance of the \$2.001 billion is \$325 million for an offset to PTO appropriations requirements under OBRA of 1993 and \$150 million for a three year Commerce Programs Resolution Agency, as noted above.

**ABILITY TO ACHIEVE 25 PERCENT SAVINGS FROM OVERHEAD.** The basis for the Chrysler 25 percent cut below FY 1994 funding totals is not stated in the legislation or the press release. Representative Chrysler indicated on July 24 that the cut was related, at least in the case of PTO, to an overhead rate Commerce now charges bureaus.

- Commerce does not charge its bureaus any overhead rate. While Commerce sells services through the Working Capital Fund, bureaus purchase an average of 1.4 percent of their available funding in services. All Commerce oversight is funded through the general administration account, \$36 million in FY 1995 or about .7 percent of the Commerce total appropriation.
- In fact, the Chrysler bill would employ a meat-axe approach to downsizing by mandating across-the-board cuts of one-quarter, regardless of priorities and

regardless of need. It's important to note that this limit is a permanent ceiling on expenditures, freezing funding levels at 75 percent of the FY '94 level. To take one egregious example, this limit would devastate our ability to conduct the *decennial census* given the cyclical nature of its funding needs -- gearing up over the course of the decade and culminating at the turn of each decade in the conduct of a new decennial census. To make matters worse, H.R. 1756 freezes Census funding levels at 75 percent of the FY 1994 rate, which of course is the low point in the cycle (the cycle would be from 1993 to 2003, reflecting the time spent on delivering the diverse decennial census data products). Although GAO estimates the 2000 decennial at cost of \$4.8 billion over 10 years, there are *no decennial preparation costs* in the FY 1994 budget. While we anticipate saving approximately \$1 billion and 200,000 temporary census employees as a result of our reinvention efforts at Census, counting hundreds of millions of people is an expensive proposition. The Chrysler bill ignores the reality of the census cycle and would preclude us from carrying out the Constitutional responsibility to conduct an "actual enumeration" of our people.

- ▶ SAVINGS IN PRESIDENT'S BUDGET. The budget President Clinton submitted for FY 1996 already contained savings built into the budgets for FY 1996 - FY 2000 that would have occurred without the Chrysler proposals. These savings total \$1.472 billion for the period.
  - These savings consist of miscellaneous program terminations and reductions at NOAA and ITA, FTE/administrative reductions and the President's Reinventing Government initiative. The FTE and administrative savings result from the requirement of current law (Pub. L. No. 103-226) to reduce FTE by 272,900 by FY 1999, and Executive Order 12837 to reduce administrative expenses by 14 percent by FY 1997.

When you recognize that the reductions called for by H.R. 1756 relate more to program reductions wholly apart from the dismantling of a Cabinet Department and then correct for the errors and other omissions in the cost estimates, it is clear that dismantling Commerce is not a money saver. But more importantly, the bill completely ignores the real costs to the economy. Commerce is an investment in the competitiveness of American business. Trade advocacy will suffer under the bill, and that will mean fewer exports as our trading partners will gleefully capitalize on our weakness. Technological advances will be delayed, and that will make our products less competitive. Enforcement of the unfair trade laws will be undermined, and that will threaten U.S. jobs. The bill is a classic example of "penny-wise and pound-foolish" -- it doesn't address the deficit problem, it exacerbates it by imposing hidden costs that will result in lower economic growth and fewer jobs.

Before the Subcommittee concludes its deliberations on H.R. 1756, I encourage it to look carefully at Commerce programs. If we are to examine how best to organize the work of the Department, it is critical to understand exactly how Commerce programs help make

the Nation more competitive. The Administration believes Commerce programs are essential for the long-term health of the economy and are an investment in the future.

#### INTERNATIONAL TRADE ACTIVITIES

Over the past seven years, U.S. exports of goods and services accounted for over one-third of U.S. economic growth, and export-related jobs grew six times faster than total employment. The Department of Commerce through its International Trade Administration (ITA) has the primary responsibility to advocate for U.S. exports. The Department of Commerce has staff devoted solely to helping U.S. companies increase their exports.

We devote over 80 percent of our trade promotion resources at ITA to small- and medium-sized businesses. That translates into answering more than 2,300 faxes and calls at the Trade Information Center and other Commerce offices every day. Anyone can walk into or call one of our 73 domestic offices, including nine "one-stop" export assistance centers co-located with the Small Business Administration and the Export-Import Bank and its partners.

In considering changes to the trade functions at Commerce, one needs to keep in mind that there is ample evidence that the current structure is working. In 1994 alone, Commerce generated 4,000 export success stories with small- and medium-sized companies. In addition, I have led Presidential Trade Missions to Russia, China, India, South America, South Africa, and other booming export markets. As noted above, our advocacy helped produce some \$45 billion of foreign business deals in 1994, with \$20 billion in U.S. content, supporting over 300,000 person years of employment in America. By energizing the Trade Promotion Coordinating Committee and our own trade promotion programs, we have enhanced trade finance services, improved the delivery of trade information, identified new markets with high growth potential, and provided high-level advocacy for American business.

We believe we have put together a solid organization at ITA well suited to deliver the services needed by American businesses.

- o ITA's Trade Development office brings industry expertise to the table and provides essential analytical information on hundreds of industries, from the most basic to emerging high-technology industries. This expertise is not found anywhere else, in or outside government, and was especially critical to the successful conclusion of the recent U.S.-Japan Automotive Agreement. Moreover, Trade Development will play a central role in monitoring this agreement to ensure compliance, which may be more important than the agreement itself. Our Advocacy Center acts as a catalyst to boost the chances of American firms, both large and small, winning major international projects.
- o ITA's International Economic Policy office combines country market information and policy analysis. It offers expertise on the commercial environment of all of our trading partners, including expertise on laws, regulations, tariffs, product standards and the investment climate. Again, no other organization provides this in-depth knowledge about doing business abroad.

- o ITA's U.S. and Foreign Commercial Service, with its worldwide network of 134 offices in 69 countries and its 73 domestic offices, provides small business with direct access to the counseling and marketing information they require to export successfully. The officers of the Commercial Service are small business' direct link to the global marketplace. Their sole function is export promotion, and they provide unparalleled counseling, advocacy, market research and other services to American business. There is no other Federal provider for these services and no state or private-sector provider that can offer the same level of cost-efficient assistance to smaller exporters.
- o ITA's Import Administration administers the antidumping and countervailing duty laws to provide American firms relief from unfair competition by foreign companies and governments. Trade law action has been critical to the competitive health of the American semiconductor and steel industries.

The Bureau of Export Administration (BXA) is the other major trade agency within Commerce. We believe the export control system works best when the chief agency responsible for its implementation is focused on industry's concerns. As part of the Commerce Department, BXA is uniquely situated to administer, from an economic point of view, national security, non-proliferation, foreign policy and short supply export control programs that have a significant impact on U.S. industry. Each Department has its own mission, and placement of the export licensing function at State or Defense will unavoidably lessen the commercial focus. At Commerce, BXA brings industry's concerns to the table, and because it represents those concerns, it is best positioned to further U.S. exporters' interests in making licensing determinations, while still considering national security and foreign policy goals. Moreover, moving export control enforcement to Customs would hurt our ability to aggressively enforce these laws. Much of what Commerce does is preventative -- checking license applications against our lists of problem end-users and conducting pre-license checks overseas with the help of US&FCS personnel. That synergy would be lost if enforcement were moved.

As with ITA, we believe the current organization of BXA is serving industry's interests well:

- o We have eliminated obsolete and inefficient controls and streamlined the export control process, without jeopardizing national security, freeing up \$32 billion in exports.
- o We have developed a new comprehensive export license review system that permits greater interagency participation in return for firm time limits and a disciplined dispute settlement process.

To eliminate these successful trade promotion efforts or move the Bureau of Export Administration from the Department of Commerce to somewhere else in the government would relegate U.S. companies of all sizes once again to second-place status in international

competition. And the commercial stakes are sky-high. By the year 2010, for example, world imports of our trading partners are expected to increase in real terms, by more than \$2 trillion over today's level. Infrastructure development projects alone are estimated to be at least \$1 trillion in Asia by the year 2000 and to approach \$500 billion in Latin America over the next decade.

While ITA and BXA are Commerce's major trade agencies, other bureaus also have substantial involvement in critical trade issues. One increasingly important international trade activity at the Department is performed by the National Institute of Standards and Technology in providing critical technical support for international negotiations regarding product standards, conformity assessment practices, and standards infrastructure. Recently, the NIST laboratories have expanded their standards activity to help industry avoid or overcome technical barriers to trade. For example:

- o NIST has forged new, stronger relationships with the private sector's voluntary standards community, and it has strengthened its own standards-related activities. NIST is working to eliminate non-tariff-related barriers to trade, which would result in an additional \$20 to \$40 billion in U.S. exports. In 1994 alone, NIST participated in and provided technical support to more than 800 national and international standards committees. In fact, about one-fourth of NIST technical staff formally contribute their expertise to the efforts of national and international voluntary standards organizations, chairing about 120 committees. In addition, on behalf of the U.S. industry, NIST is involved in implementing technical standards that support the GATT and the NAFTA.
- o NIST labs are helping to keep open markets by helping to develop Mutual Recognition Agreements (MRAs) that specify conditions under which testing for conformance with foreign and international standards can be done in the United States. The agreements can eliminate costly delays that result when products must be returned to the United States after failing conformance testing in a foreign market. In the last several years, NIST has expanded efforts in the European Union and some 20 individual countries to promote MRAs and harmonization of standards. To further this goal, NIST established a National Voluntary Conformity Assessment System Evaluation Program to evaluate and recognize U.S. testing laboratories, accreditors, certifiers, and quality assurance organizations with demonstrated competence in determining whether products satisfy foreign regulatory requirements.

The National Telecommunications and Information Administration (NTIA), which serves as the President's chief adviser on telecommunications and information issues, is increasingly involved in international trade issues associated with telecommunications and information. With over \$590 billion in annual revenues, the telecommunications and information sector is massive. By the year 2000, telecommunications and information-related industries will account for approximately 20 percent of the entire U.S. economy. And by the early 21st Century, the global information industry could reach \$3 trillion.

Given the sheer size of the telecommunications and information market, a significant part of our economic success depends on our being able to compete around the world in this market. We will not be able to compete if other countries continue to protect their monopoly telecommunications providers. If NTIA, with its telecommunications regulatory and policy expertise, can persuade them to open their markets to competition, we can expect great success because of our competitive strength in this sector.

Placement of NTIA in the same Department as ITA provides a "one-two" punch in support of American telecommunications firms. NTIA lays the policy groundwork for opening global telecommunications markets so that ITA can then help U.S. businesses as they pursue specific ventures in those markets. For example:

- o Earlier this Summer, NTIA participated in bilateral discussions in Brussels regarding the opening of European telecommunications markets. The day after our meeting, the European Commission adopted an accelerated telecommunications liberalization timetable. This will directly benefit U.S. companies who are eager to compete and invest abroad. NTIA has spent the last two years on similar missions, working to convince other countries to dramatically change the way they operate their telecommunications networks to encourage more openness so that U.S. businesses can compete.
- o Through the combined efforts of ITA and NTIA, we helped NYNEX win a complex bid to install a global telecommunications system known as FLAG (the Fiberoptic Link Around the Globe) which, when complete will be the longest undersea telecommunications cable, connecting Southeast Asia, the Middle East, and Europe. The project's value has been estimated at \$1.4 billion with \$900 million in U.S. content, supporting 10,000 U.S. jobs.
- o In March, NTIA, together with ITA, promoted U.S. industry interests abroad through the Latin American Telecommunications Summit. In addition to providing an important opportunity for countries in Latin America to meet and discuss important telecommunications policy issues facing the region, a principle purpose of the event was to promote the interests of U.S. telecommunications service providers and equipment manufacturers in Latin America -- one of the world's fastest growing markets for communications services and equipment. This event led to millions of dollars in contracts for U.S. industry participants.

Another essential element to international competitiveness is protection of intellectual property rights. Strong intellectual property protection enables American inventors to gain the full benefits of their creations, stimulates more innovation, and protects businesses and consumers from unfair trade practices. The Patent and Trademark Office (PTO) within the Department plays a central role in the Administration's efforts to provide better protection of intellectual property, particularly in the international arena, such as enforcement of bilateral, regional and global agreements, as well as U.S. trade law. As with ITA and NTIA, PTO plays a key role, providing expertise not found elsewhere within the Government, to support

international negotiations. Highlighting the role that PTO plays in stimulating innovation and trade, just recently we have seen:

- o A TRIPs<sup>3</sup> Agreement in GATT which establishes intellectual property protection standards for more than 110 countries;
- o A U.S.-Japan Agreement eliminating dependent patent compulsory licensing in Japan; and
- o A series of negotiations, including the Trademark Law Treaty and Protocol to the Berne Convention for the Protection of Literary and Artistic Works, to protect all forms of intellectual property around the world.

Another way the Department contributes in the trade arena relates to environmental and fishery issues. The coastal zone of the United States serves as an international gateway for trade and commerce. Moreover, the national interest in managing our ocean and coastal resources must be pursued in light of various international commitments. The National Oceanic and Atmospheric Administration (NOAA) provides key expertise to support international negotiations concerning environmental issues. In addition, NOAA's expertise in environmental technologies provided essential support to ITA's export promotion efforts. For example:

- o By promoting the development of environmental technologies, NOAA creates high-quality jobs, builds the national civilian technology base, and provides the world with tools to protect the environment. For example, Hewlett-Packard and Riverside Technology, Inc., have won contracts to furnish the hardware, software and systems -- based on technology development funded by NOAA -- needed to operate the Water Resources Forecasting System in China.
- o NOAA provided critical support to ITA in connection with a \$1.4 billion contract with a consortium led by the Raytheon Company for the construction of the Amazon Surveillance System in Brazil. It will result in an estimated \$700 million in U.S. exports. Even better, Raytheon expects it to create or sustain 20,000 jobs, in as many as 20 states, including, Alabama, New York, Maryland, Texas, Kansas, California, New Jersey, Delaware, North Carolina, Florida, Georgia, Vermont, and several others. This deal would not have happened without the availability of Commerce's trade, technology and environmental resources and the aggressive advocacy on behalf of the consortium by Commerce.
- o NOAA's Aeronomy Laboratory is leading the search for an "ozone solution" by studying the atmospheric fate and lifetime of substances that are proposed as substitutes for ozone-depleting chlorofluorocarbons (CFCs). The Montreal Protocol on Substances that Deplete the Ozone Layer has set a strict timetable for the

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<sup>3</sup>"TRIPs" stands for "Trade-Related Aspects of Intellectual Property Rights."

elimination of CFCs and halons, and industry is active in the search for alternatives for use as refrigerants, propellants, commercial solvents, and so on. The suitability of any given alternative compound depends on determining its potential effects on the ozone layer. NOAA research on the atmospheric chemistry of CFC substitutes has had a major impact on both the international policy and industry decisions regarding the selection of suitable replacements for the ozone-destroying compounds. This research can result in considerable cost-savings to industry and help mitigate damage to the stratospheric ozone layer.

- o The National Ocean Service provides direct services that aid the competitiveness of U.S. exports and the ports and harbors that move the more than \$500 billion worth of U.S. goods bound for overseas every year. Modernization of NOAA's nautical charting and the installation of real-time water level, tide and current stations are providing more accurate data on actual conditions in our ports and harbors. This allows vessels to better maximize their loads and time their arrivals and departures, lowering the costs of shipping U.S. grain, other agricultural products, minerals, and manufactured goods overseas. At the same time, these services reduce risks of marine accidents, which make U.S. ports more attractive and in the long run reduce costs and the risk of environmental damage to our nation's coastal waters.

The Department of Commerce also provides key support for international trade matters through its statistical activities. The Bureau of Economic Analysis provides significant data on the balance of payments, international trade in services, foreign direct investment, and other international transactions which are used to support trade and policy decisions. Indeed, just last week, the National Academy of Sciences released a report, "Following the Money: U.S. Finance in the World Economy," that underlined the importance of BEA's data on international capital transactions and the need to continue BEA's program for improving these estimates. The Census Bureau also provides significant foreign trade data that is used by the exporting community for analysis and business decisions. Their parent organization, the Economics and Statistics Administration, provides our exporters with a comprehensive array of trade data through STAT-USA, the National Trade Data Bank and other data products.

Finally, I would note that the United States Travel and Tourism Administration (USTTA) has provided valuable information on the tourism industry. Critical functions within USTTA need to be retained along with other essential trade promotion functions at Commerce. We expect that the upcoming White House Conference on Tourism will address important questions about how best to support tourism in this country.

#### **COMPETITIVENESS ACTIVITIES**

As noted earlier, "trade" is not something that only happens in foreign countries. Everyday, American firms and workers must battle fierce and relentless foreign competition for market share right here in the United States -- the single largest economy in the world.

That's is why it is not enough to focus on increasing U.S. exports abroad. Today, more than ever, it is the development and use of technology that drives economic competitiveness, thereby stimulating economic growth, increasing living standards, and helping create and maintain good jobs in the United States. American workers and firms must be ready and able to create and sell products and services that are the most innovative and productive in the world. That means as a nation we must maintain our investments -- both public and private -- in research and development, the seed corn of our economic future.

Indeed, it is a mistake to let the need to reduce the deficit cloud our judgment when it comes to trade and technology programs. The United States currently ranks last among our major trading partners in public expenditures for export promotion relative to the size of our economy. Compared with Japan and Germany, the United States spends less on non-defense R&D as a percentage of GDP. At a time when our trading partners have taken seriously the need for public-private partnerships that promote economic competitiveness, we dare not pretend that we can return to an era of American trade preeminence by legislative fiat.

The fact is that for too long, U.S. companies were shut out of lucrative foreign markets or repeatedly lost bids for international contracts, while foreign governments aggressively promoted the interests of their firms abroad. Smaller manufacturers in the United States, unable to modernize quickly enough and meet payroll, laid off workers and closed their plants in the face of fierce and relentless competition. And report after report told us that the United States was losing ground in virtually every area of high technology -- from automobiles to semiconductors -- but when it came to investment in innovation, the Federal government stood idly by.

Stimulating innovation is critical to economic growth, job creation, and boosting exports. We can have the world's best export promotion services, but if we don't have a competitive R&D base and strong technology infrastructure, it's not going to make any difference. And today, American business faces stiff international competition in one field after another. Cycle times -- the time from innovation to product -- have shortened in most industries. We can no longer hope that a technological breakthrough spurred by a national security need will lead to a product that will be first to reach the market. In addition, trade is a two-way street. If we do not invest in new technology -- for new products, cost-reducing processes, and high-tech services -- we will not only lose export opportunities, but we will also lose our own domestic markets to imports.

Over the past half century, nearly 50 percent of our nation's economic growth has been related to the development and use of technology. Yet, today, research and development trends are of concern. In the United States, public and private sector investment in R&D has been anemic for more than a decade, declining from an annual growth rate of 4 percent from the 1980's to 1.5 percent for the first three years of the 1990's. To meet fierce and relentless foreign competition and stockholder expectations, many U.S. companies have front-loaded R&D investments, choosing to pursue short-term goals and commercialize products more quickly. Today, U.S. companies invest less than 5 percent of their R&D in long-term, risky projects, creating a gap between federally funded basic research and private sector product and process development. Moreover, since 1992,

companies like AT&T, General Electric, IBM, Kodak, Texaco, and Xerox -- world renowned for their investment in long-term R&D -- have dramatically reduced their R&D spending.

At the same time, international pressures keep rising. *The Wall Street Journal* reports that major high-technology companies overseas increased R&D spending 23 percent from 1988 to 1993, while U.S. funding remained flat. For years our competitors have consistently invested a higher percentage of their resources in non-defense R&D than the United States, with Japan investing 35 percent more than we do on a per capita basis and Germany investing 30 percent more. In addition, emerging economic powers -- China, India, Taiwan, Singapore, South Korea -- have been aggressively promoting investment in R&D and deployment of technology. This year the United States ranks 28th in the world in the percentage of public R&D funding dedicated to supporting civilian or market-oriented uses. This puts us just ahead of the Czech Republic.

Lack of adequate investment in R&D is taking its toll on America. Based on OECD designations, the United States trade balance in "high tech" manufacturing industries has steadily eroded for the past 15 years and been negative for a decade. Even when counting only the most technologically advanced product categories, our trade surplus in these "Advanced Technology Products" -- which includes advanced materials, biotechnology, aerospace, electronics, flexible manufacturing, information and communications, and optoelectronics -- has eroded by more than 20 percent between 1990 and 1993. By one measure, the U.S. erosion of market share in electronics has meant about \$100 billion in lost sales between 1985 and 1989 alone. Likewise, the U.S. share of world markets for aerospace products declined from a high of 79 percent in 1970 to 62 percent in 1988. At today's operating rates, this is equivalent to about 300,000 lost American jobs.

Today, we seek -- and need -- a different model, one which focuses explicitly on civilian industrial technology and better connects the Federal basic research mission to real-world private-sector commercialization. One in which private-public partnerships spur private sector investment in high-risk, long term innovations with broad economic impact. One which supports the deployment of technology to people who might not have the resources to find it on their own. One which maintains investments in our national standards labs.

Our national capability to engage successfully in international competition is dependent upon our national technological prowess. Through the Commerce Department's National Institute of Standards and Technology, this Administration is providing American firms and workers with the tools they need to meet the challenges of global competition. Efforts at NIST to promote international competitiveness include:

- o The Manufacturing Extension Partnership (MEP) whose 41 manufacturing centers in 31 states are helping the Nation's 381,000 smaller manufacturers battle foreign competition by adopting modern technologies and production techniques. In 1994, the manufacturing extension centers' staff made more than 10,000 site visits to smaller companies, during which they assessed company operations and recommended ways

to improve efficiency. Survey data of companies served by the MEP indicate an 8-to-1 payoff on Federal investment in terms of increased productivity, better paying jobs, and enhanced competitiveness.

- o The Advanced Technology Program (ATP) helps fill the gap between basic and mission-oriented R&D -- which accounts for the great majority of the U.S. Government's R&D spending -- and short-term commercial research, which accounts for almost all of the private-sector spending. The ATP provides cost-shared awards to companies and consortia for competitively selected projects to develop high-risk, enabling technologies -- not products -- that have huge economic potential but whose prospects are too uncertain to attract investment capital and whose benefits disperse too widely to permit a single firm to capture the resulting economic benefit. The early results of an analysis of ATP awards to date finds important new technical capabilities, creation of new jobs, new commercial opportunities -- and some early growth -- for U.S. firms and our technology base. Although the major benefits of the ATP will take years to realize, preliminary data from 34 small firms indicate that over 90 percent expect to add new employees within 5 years; of these half expect to add more than 25 employees.
- o The NIST Laboratories, which have had for nearly a century the constitutional mandate to "fix the standard of weights and measures." Today, NIST labs remain focused on working with industry to develop the technical infrastructure that U.S. companies and workers need to compete and win in worldwide economic competition. Without sustained efforts by the NIST labs, U.S. firms in many emerging high-technology fields -- such as biotechnology, optoelectronics, advanced manufacturing and materials, and high-performance computing and communications -- will lack the underlying measurement technologies and standards necessary to make quality products for future global competition.

Just as telecommunications and information is an extremely important export market, we also must promote policies that ensure the competitive health of this sector within the United States. The National Telecommunications and Information Administration, consulting closely with the private sector, has taken a strong leadership role within the Administration on all issues involved in advancing pro-competitive policies to spur development of the National Information Infrastructure (NII) and the Global Information Infrastructure (GII). NTIA has worked with the private sector to set forth blueprints for the NII and GII and implemented a grant program to demonstrate the potential of the NII in local communities across the Nation, focusing on applications in the areas of education, medicine, and community networks. NTIA also developed a plan for release of 235 MHz of Federal radio spectrum to the Federal Communications Commission (FCC) for assignment to the private sector, which is expected to spawn a new generation of wireless telecommunications and information services. NTIA also was instrumental in developing the policy under which the FCC auctioned radio spectrum licenses, which will yield close to \$9 billion for the Treasury.

While there appears to be a consensus that the treatment of Commerce's trade functions in H.R. 1756 is unworkable, I urge you to look carefully at the effect of the bill's

neglect for investment in America's technology infrastructure. Our national capability to engage successfully in international competition is dependent upon our national technological prowess. The fact is trade and technology are inseparable components of global competitiveness.

In addition to its technology programs, the Department also promotes the competitiveness of American business through its other domestic programs. In recognition that economic growth must go hand-in-hand with environmental stewardship, the National Oceanic and Atmospheric Administration conducts programs designed to provide a better understanding of the connections between environmental health, economics, and national security. Commerce's emphasis on "Sustainable Fisheries," including particular emphasis on emergency situations in the Northeast and Pacific Northwest, is saving fisheries and confronting short-term economic dislocation, while boosting long-term economic growth.

- o Commerce's activities help create sustainable economic opportunity in the multi-billion-dollar marine-fisheries industry. NOAA funding of New England fishermen, for example, has helped them establish an aquaculture cooperative that cultivates nori seaweed as a cash crop, resulting in \$30 million in annual exports.
- o NOAA protects life and property and helps to predict and ameliorate man-made causes of longer-term climate change by improving environmental monitoring, prediction and assessment. NOAA weather research and monitoring has resulted in improvements that enhance the accuracy of hurricane track models. These models have reduced the size of the warning area, resulting in savings of \$1 million for each mile of coastline that is not needlessly evacuated.
- o By promoting the development of environmental technologies, Commerce creates high-quality jobs, builds the national civilian technology base, and provides the world with tools to protect the environment.
- o NOAA's ocean and coastal management efforts have resulted in the development of estuarine research reserves, national marine sanctuaries and federally approved state coastal management programs. These management efforts successfully balance competing needs of resource protection and economic development. Further, these efforts create appropriate Federal-state partnerships in ocean and coastal management.
- o NOAA helps improve understanding of the environment and the influence of human activities on the environment so as to make cost-effective decisions that are in keeping with sustainable development. For example, NOAA research is pointing towards more effective approaches to lowering the levels of surface-level atmospheric ozone in some areas of the country. This chemical's presence in the lower atmosphere adversely affects human health, crop productivity, and forest health. This new understanding can save billions of dollars in the commercial sector from misdirected regulatory actions. Additional large economic gains would result from the effective reduction of ozone's impacts on health, agriculture, and forestry.

Because economic opportunity is not evenly dispersed to all communities and because of the dynamic nature of our economy, the Commerce Department includes programs to help areas respond to conditions of economic deterioration and dislocation. Under the Department's economic development programs, we help communities build the capacity to plan and implement economic development strategies needed to respond to problems and to restore their job bases. The Economic Development Administration (EDA) provides grants to help communities fund the infrastructure improvements needed to support development. We have been particularly active in helping communities respond to problems caused by the downsizing of the defense industry. With 70 major military facilities selected for closure or realignment in the first two rounds and an additional 49 major facilities identified by the Defense Base Realignment and Closure Commission for closure or realignment in the 1995 round, the need for this assistance will continue to grow. Through the Minority Business Development Agency (MBDA), Commerce also helps increase the participation of minority businesses in the various sectors of the economy, thereby helping them increase employment in their communities.

- In St. Louis, which was among the first communities to be affected by defense cutbacks, EDA worked with local governments to support business needs, including manufacturing extension, export assistance, and business financing assistance. Additional funding was provided to support a revolving loan fund which has made loans totaling \$770,000 to defense-injured businesses and leveraged an additional \$1.2 million in private investment, and created nearly 200 new jobs.
- In Buffalo and Erie County, New York, which have suffered significant economic deterioration, EDA supported a revolving loan fund which in part targets start-ups. Over \$42 million in direct loans have been made including over 200 loans to 182 companies, creating more than 4,700 jobs in the two communities.
- In Los Angeles, the Minority Business Development Agency reports \$1.1 billion in minority business enterprise contract and procurement awards, resulting in 21,000 jobs in the greater Los Angeles area.

Just as decisions regarding international trade opportunities demand accurate data, the ability of decisionmakers in both the private sector and the Government to promote economic opportunity and growth at home depends on the quality of the data available. The Census Bureau and the Bureau of Economic Analysis generate economic data on the gross domestic product, international trade, the population, retail sales, housing starts and demographic shifts that are critical to business' ability to measure economic performance and make sound investments. By providing complete and accurate economic and demographic information and analysis as the foundation for improved public and private decisions, Commerce helps create the tools for U.S. businesses, workers, and communities to prosper in an increasingly integrated world economy.

- A Bakersfield CA company, ASU and Associates, that locates sites for commercial and retail operations, particularly supermarket sites in areas that are not served or

under-served, recently used a wide variety of the Census Bureau's demographic data to analyze and recommend three supermarket sites in areas that previously had none. When built, the new stores will create local employment and reduce the miles local residents have to travel to shop.

- For the past 20 years, McDonald's has relied on demographic data and maps from the decennial census to perform market analyses and determine site locations for new restaurants. McDonald's also uses Census' TIGER Line files (digital map database files) to merge their own proprietary information with detailed social and economic data from the decennial census for use in corporate planning.
- BEA's information is available to business through news releases, its monthly Survey of Current Business, CD-ROMS, tapes, diskettes, and through ESA's STAT-USA products. STAT-USA runs the Economic Bulletin Board, a ten-year-old on-line service for current economic, business and trade information. Nearly 4,000 customers subscribe to the service, including businesses of all sizes. STAT-USA also runs the government's business and economic node on the information superhighway. STAT-USA has almost 1,500 Internet subscribers and has logged over 1.2 million inquiries in the last six months. STAT-USA also produces the National Trade Data Bank on CD-ROM, purchased by 6,000 customers and available through libraries and DOC field offices to other businesses.

In today's global economy, economic competitiveness is seamless: trade policy opens opportunities for high-technology companies; technological proficiency is the base for continued economic development; and economic development will often turn on the wise use of environmental resources and responses to change. The Department of Commerce is where these connections are made.

## CONCLUSION

The Administration is a strong advocate of Government reform as evidenced by the Vice President's Reinventing Government initiative. But the kind of box shuffling proposed in H.R. 1756 is not going to make the government better and it is not going to save money. If one looks in Government for the various functions needed to foster the international competitiveness of U.S. firms, you can already find them at the Department of Commerce. While we can always improve our programs and will be happy to work with you to further streamline our operations, dismantling the Department will hurt our ability to meet the competition. Accordingly, I urge the Subcommittee to examine the arguments behind dismantling Commerce closely. We believe that the Commerce Department represents an investment in a competitive future.

Thank you.

SUMMARY OF MAJOR REASONS FOR OPPOSING H.R. 1756,  
 "DEPARTMENT OF COMMERCE DISMANTLING ACT"

1. ABOLISHMENT OF THE DEPARTMENT OF COMMERCE (Title I). The Chrysler bill abolishes the Commerce Department and establishes a Commerce Programs Resolution Agency to wind-up the affairs of the Department over the course of three years. Numerous existing programs would be terminated, while others would be transferred to other agencies. The bill also limits expenditures for each remaining function for all future fiscal years to 75 percent of the total amount expended to perform that function during fiscal year 1994 (§ 310).

- o **RESPONSE:** In an intensely competitive global economy, the U.S. Department of Commerce has emerged as American business' surest ally in job creation: a vital resource base, a tireless advocate, and a Cabinet-level voice for the private sector. No other Department can make this claim. While the bill includes a number of terminations, the bulk of Commerce programs would continue but would be dispersed to the President and 16 named agencies, at considerable cost to the taxpayer. Rather than diluted through dispersal -- an unnecessary and expensive process -- these functions should remain unified at a Department of Commerce. This will ensure that the business community continues to have a forceful advocate in Cabinet deliberations on economic issues. Moreover, reducing expenditures for Commerce functions not otherwise eliminated to only 75 percent of 1994 totals for each fiscal year is an unworkable approach to deficit reduction. Under this approach, even those activities that the sponsors of the bill acknowledge are vital to the Nation's interest cannot be meaningfully performed. This provision appears to have been drafted without any understanding of its implications for Commerce programs.

2. EDA: ABOLISHMENT OF THE ECONOMIC DEVELOPMENT ADMINISTRATION (§ 201). The bill terminates immediately EDA's grant programs and abolishes the agency. It transfers portfolio management with respect to the defunct loan programs to Treasury.

- o **RESPONSE:** EDA is the only agency in the Federal government that conducts a special program to assist communities in carrying out strategic plans to adjust to changes caused by the downsizing of defense programs. With 70 major facilities selected for closure or realignment in the first two rounds and an additional 49 major facilities identified by the Defense Base Realignment and Closure Commission in the 1995 round, funding needs of impacted communities will increase. Termination of EDA would also deprive communities of public works and planning assistance that can be critical in helping communities address regional problems of economic deterioration in order to preserve or expand their job bases.

3. BXA: TRANSFER OF THE BUREAU OF EXPORT ADMINISTRATION FUNCTIONS (§§ 202-203). The bill transfers export licensing functions of BXA to State (other than short supply which would reside with the President) and transfers export enforcement functions to Treasury.

- o **RESPONSE:** As a part of the Commerce Department, BXA is uniquely situated to administer, from an economic and commercial point of view, export control programs that have a significant impact on U.S. industry. Because other departments have different missions and objectives, no other is as well-positioned to balance fairly the various concerns of commercial need, national security and foreign policy when making licensing decisions. Licensing and enforcement responsibilities should not be split because each function benefits from its links to the other and because only BXA has the enforcement capability specifically dedicated to export control and anti-boycott enforcement.

**4. ITA: TRANSFER AND TERMINATION OF VARIOUS INTERNATIONAL TRADE FUNCTIONS** (§ 204). The bill eliminates the International Trade Administration, transferring to **USTR** a number of functions (including those related to antidumping and countervailing duty (AD/CVD), the foreign operations of US&FCS, and various export promotion and textile functions), and divides others between **Treasury** and **ITC**. The bill **abolishes** a number of offices and functions, including the domestic operations of US&FCS, regional and country analyses needed for supporting international negotiations and trade promotion, and the Committee for the Implementation of Textile Agreements (CITA).

- o **RESPONSE:** Breaking up and dispersing the International Trade Administration (ITA) among a number of agencies makes no sense economically or programmatically. ITA is an integrated whole and has one mission: to help U.S. companies sell products abroad and support U.S. jobs at home. ITA-led efforts during 1994 resulted in U.S. firms winning foreign business deals with a U.S. export content of approximately \$20 billion, thus supporting over 300,000 jobs. Transfer of functions to other agencies with differing missions will detract from this focus on exporting.
  - Abolishing the domestic export promotion field offices and eliminating the sources of sectoral, regional and country analyses needed to support trade promotion and international negotiations would deprive American companies, particularly small- and medium-sized companies, of the tools needed to become successful exporters and would place the United States at a disadvantage with its trading partners.
  - Transfer of major functions to USTR would change the nature and character of the Office of the USTR, which is currently a small trade-negotiating agency that serves as the President's adviser on trade matters, and entangle it with a myriad of diverse programmatic responsibilities. Moreover, negotiation of U.S. trade agreements and administration of the AD/CVD laws should remain separate to avoid subjecting decision-makers to pressure to make trade-offs between issues in negotiations and AD/CVD enforcement.

**5. PTO: TRANSFER OF THE PATENT AND TRADEMARK OFFICE** (§ 205). The bill transfers the PTO to **Justice** and requiring it to be fully funded by fees.

- o **RESPONSE:** The PTO is properly part of the Commerce Department and should not be affiliated with the Justice Department. Justice is primarily an enforcement agency. Because the function of the PTO under the Constitution is to promote commerce by registering trademarks and to promote technological growth by granting patents, it makes more sense for the PTO to report to the Commerce Department, whose mission is to promote industry and trade. The PTO also plays an important role in international negotiations on intellectual property protection, such as in NAFTA and the Uruguay Round agreements and the recent agreement signed with Japan. This too is a role that fits well with other Commerce responsibilities. Moreover, there would be no savings in moving the PTO to Justice since the PTO is already fully supported through fees.

**6. TA/NIST: ABOLISHMENT OF THE TECHNOLOGY ADMINISTRATION AND TERMINATION OF TECHNOLOGY PROGRAMS** (§ 206). The bill proposes to abolish the Technology Administration, the only Federal agency whose primary concern is the competitiveness of the Nation's technology base. The bill would terminate the Office of the Under Secretary for Technology and the Office of Technology Policy, eliminate vital programs such as the Advanced Technology Program and Manufacturing Extension Partnership (§§ 206 and 212), and attempt to sell off the NIST laboratories and the National Technical Information Service (NTIS).

- o **RESPONSE:** Technology is the engine of economic growth. In a world where technological leadership means the difference between prosperity and economic decline, the Department of Commerce's Technology Administration (TA) plays a unique and critical role in creating an environment in which U.S. industry can flourish.
  - The Technology Administration and Office of Technology Policy are effective agents in promoting our nation's competitiveness and encouraging U.S. companies to pursue technology innovation.
  - NIST serves a vital and necessary role in the Department of Commerce's civilian technology and trade mission. NIST contributes technical expertise and knowledge gained from extensive interaction with industry to DOC's mission. In carrying out its mission, NIST also draws upon the expertise of other agencies of DOC on trade and economic issues.
  - NIST labs perform infrastructure research that is appropriately performed by the government and which is inseparable from the important standards and measurement functions the bill proposes to move to NSF.
  - The Advanced Technology Program (ATP) is a highly competitive, merit-based, cost-shared program which provides a mechanism for extending U.S. industry's technological reach in today's fiercely competitive global marketplace. By abolishing the Manufacturing Extension Partnership, the bill would dismantle a nationwide network of community- and state-led technical programs that is helping smaller manufacturers adopt new technologies.

- Selling off the NTIS data collection would threaten the existence of an important comprehensive collection of scientific and technical data, as well as the access to the collection by the Federal government and the private sector. NTIS already supports itself fully through fees.

**7. ESA: TRANSFER OF THE CENSUS BUREAU AND BUREAU OF ECONOMIC ANALYSIS (§§ 207-208).** The bill transfers the Census Bureau to Treasury and the Bureau of Economic Analysis to the Federal Reserve System.

- o **RESPONSE:** These proposals represent a false economy since the bill maintains the bulk of the Department's statistical programs and simply "re-houses" them in different parts of the Government. By dispersing Commerce's statistical agencies across the government, the bill could jeopardize the quality and integrity of the economic and demographic data that American businesses and policymakers rely on to make vital decisions about the future. Commerce is an ideal home for the hub of the statistical system because it does not contain the tax (Treasury), regulatory (Labor -- OSHA), and monetary policymaking (Federal Reserve) authorities that exist in the agencies where Census and BEA are slated to go under the bill. Such transfers would compromise the independence of the statistical agencies and threaten the confidentiality of the information that individuals and businesses report. For example, moving BEA to the Fed would undermine the vital independent credibility and function of each. It would open them both to justifiable charges of conflict of interest to have the Fed oversee and fund the producer of the very data it uses to form its view of the economy. As a recent editorial in The Journal of Commerce put it, the transfers contemplated in the bill try to stick "square pegs in round holes."

**8. NTIA: TRANSFER OF THE NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION AND TERMINATION OF GRANT PROGRAMS (§§ 209-210).** The bill repeals the grant programs of the National Telecommunications and Information Administration and transfers its spectrum management and other functions under its organic statute to the FCC.

- o **RESPONSE:** Telecommunications and information have become the world's largest economic sector, generating more than \$590 billion in annual revenues and employing about 3.6 million workers in the United States. In an environment where sound telecommunications policy is essential to the future competitive health of the U.S. economy, NTIA, the principal Executive Branch voice on these issues, plays a crucial leadership role in setting domestic and international telecommunications and information policy. It has, for example, been instrumental in promoting the development of and access to the national and global information infrastructure. Terminating NTIA's policy functions could undermine the future prosperity of the United States.

NTIA also manages the Federal government's use of spectrum for, among other things, national defense, public safety, and natural resource management. Relocating NTIA's spectrum management functions to the Federal Communications Commission

(FCC), an independent regulatory agency, could well be a recipe for disaster. By assigning this function to an agency that generally operates outside the established Executive Branch coordination process and disregarding NTIA's spectrum management and policy expertise, the bill would threaten Government missions, including national security and emergency preparedness. Transferring management of the Federal spectrum to the FCC would also raise concerns regarding interference with the President's constitutional authority, particularly his authority with respect to the national defense and foreign affairs.

**9. NOAA: TRANSFER, TERMINATION AND PRIVATIZATION OF THE FUNCTIONS OF THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (§ 211).**

The bill dissolves NOAA and transfers, privatizes or eliminates its functions; and reduces funding for remaining functions by at least 25%. The bill transfers fisheries science and the National Weather Service to **Interior**; fisheries enforcement to **Transportation**; and mapping to **Defense**. The bill seeks to privatize the National Environmental Satellite, Data and Information Service (NESDIS) data centers and eliminates the Office of Oceanic and Atmospheric Research and fisheries grants.

- o **RESPONSE:** Massive restructuring would eliminate synergies in NOAA which promote the missions of describing and predicting changes in the Earth's environment and conserving and managing the Nation's coastal and marine resources to ensure sustainable economic opportunities. The Chrysler proposal is shortsighted because it fails to recognize the unique nature of NOAA services, which provide cost-effective benefits to the entire Nation. NOAA's mission involves basic responsibilities of the Federal government for ensuring general public safety, national security and environmental well-being, and promoting economic growth. NOAA's interdependent programs are particularly effective *because* they are coordinated by a single agency.
  - Moving science to Interior, without transferring management and other functions, would harm the effectiveness of Federal efforts to manage fisheries. The lack of integrated scientific, management and enforcement oversight would endanger resources and industry viability.
  - Commerce is the only Federal agency which integrates economics, environment, technology and information to make the whole greater than the sum of its parts.
  - Mixing of civilian and military charting functions will dilute both, with civilian and military charting responding to different taskings.
  - Privatizing the data centers will threaten current international agreements for the free exchange of weather and environmental data. The continuous flow of data among participating governments would not be guaranteed, and a decrease in the amount of data available to NOAA and the private and public sector would occur. There is no demonstrated market for the sale of the data produced by the Centers.
  - NOAA's mission-driven research supports operational improvements, resource management needs and scientific assessments of environmental phenomenon.

Privatization of these capabilities would eliminate agency synergies and would result in few Federal savings since data requirements remain the same.

- Severe budget reductions would cripple NOAA's essential national services that protect human lives and property, and contribute to a growing economy. For example, the Weather Service would be forced to reduce the number of stations operated in the modernized system from 118 to about 56 -- NWS already is downsizing from around 300 offices to 118.

10. MBDA, USTTA, EDA, NTIA. MISCELLANEOUS ABOLISHMENTS (§ 212).

In addition to providing for the termination of EDA (§ 201) and transferring NTIA to FCC (§§ 209-210), the bill includes a provision that expressly abolishes four Commerce agencies: EDA, NTIA, the Minority Business Development Agency (MBDA) and the United States Travel and Tourism (USTTA).

- o **RESPONSE:** These agencies perform functions vital to the Department's mission to ensure and enhance economic opportunity. EDA provides critical assistance to distressed regions of the country and NTIA oversees the increasingly important telecommunications sector within the Executive Branch.
  - MBDA provides management and technical assistance to help minority-owned businesses overcome obstacles to their creation and expansion. This assistance helps these businesses grow, thereby helping increase employment opportunities within their communities.
  - USTTA has provided valuable information on the tourism industry. Critical functions within USTTA need to be retained along with other essential trade promotion functions at Commerce.

Mr. HORN. Since that's one of your favorite subjects, let me start with NOAA. These will be brief questions. I'll yield the rest of my time to the chairman of the full committee.

What percent of the department budget and personnel are now devoted to NOAA, the National Oceanic and Atmospheric Administration?

Mr. BROWN. Slightly less than 50 percent, Mr. Chairman.

Mr. HORN. Less than 50.

How much time on a typical day do you spend on the management of NOAA?

Mr. BROWN. Oh, a good deal of time. There is no typical day for me, Mr. Chairman. I spend—

Mr. HORN. Two minutes on it?

Mr. BROWN. Oh, no, no. I spend a lot of time. And I would encourage you to talk to our Under Secretary, Dr. Baker, and others in NOAA.

And they will tell you that there has been no Commerce Secretary in recent history that has spent more time on these issues. These are complex issues, they are difficult issues. I spend a good deal of time on NOAA issues.

Can I just tell you why, Mr. Chairman?

Mr. HORN. Yes.

Mr. BROWN. Because it has to do with the whole issue of sustainable development. And it's one of the reasons why I believe NOAA belongs in the Commerce Department.

I think it makes sense to talk about economic growth in the context of our ability to sustain development, to make sure that there is compatibility between our environmental stewardship concerns and our economic growth concerns.

Mr. HORN. I understand that.

What ideas have you given to NOAA in the last 2½ years, you personally as Secretary, or your immediate staff?

Mr. BROWN. How we can privatize the fleet, because we've got an aging fleet, as you know; how we can do more with less. I understand that Congressman Chrysler made some statement about duplication in satellites.

There is no duplication in satellites. We took care of that. They're now all under the management of NOAA; one of the major things that the administration has done to save money in that regard. Looking at the size of the NOAA corps and evaluating whether it's still necessary, what can be privatized in NOAA. All of those kinds of suggestions are suggestions that I've made and that we have discussed.

Mr. HORN. Did you reach a conclusion that any of it could be privatized?

Mr. BROWN. We absolutely have, and part of that is in our budget plan that the President has submitted.

Mr. HORN. The one for fiscal year 1996?

Mr. BROWN. The one for fiscal year 1996, and the one which is the balanced budgeting plan which goes further than 1996.

Mr. HORN. On page 16 of your testimony, you talk about misdirected regulatory actions. Are we talking about EPA as the author of the misdirected regulatory actions on page 16?

Mr. BROWN. Well, let me say, Mr. Chairman, as you know, I work as part of an administration. I am not just a freewheeler out there doing any old thing. I think I have proven to be a strong and effective advocate for American business and industry. I make the case within the Council of the Administration, make them to the President. I win some of those battles and I lose some of those battles.

Mr. HORN. Are we talking about EPA?

Mr. BROWN. We talk about everything that has to do with regulatory matters that I think are a hindrance to America's competitiveness.

Mr. HORN. Well, I'm glad to see that the Secretary of Commerce is objecting to some administration actions on misdirected regulatory activity. So I congratulate you.

Now, is there anything you would give up that is now in commerce?

Would you give up any little teeny-weeny thing in commerce?

Mr. BROWN. I would give up a lot of things if I thought they would be run more effectively and we'd save money. I haven't heard any suggestions thus far, Mr. Chairman.

Mr. HORN. Can you name me one? I read every word in your statement.

Mr. BROWN. I will tell you what I would do. I would go in the other way to make government more effective and less costly. I would pull in some of the trade functions into the Commerce Department that are now scattered. I'd pull in some of the technology functions into the Commerce Department that are now scattered. I'd pull in some of the minority business development functions into the Commerce Department.

Mr. HORN. What trade functions are you thinking of?

Mr. BROWN. Well, I'm not prepared to speak on behalf of the administration. I indicated earlier—

Mr. HORN. It isn't on behalf, just your own personal views.

Mr. BROWN. My own view is that the work of the Trade Promotion Coordinating Committee, Mr. Chairman, has proven effective, and it's proven that by getting all of these agencies, and there are 19 agencies of the Federal Government involved in some way with trade—contrary to what Congressman Chrysler says, they are not duplicative. It is true they're involved in trade promotion, but they're not duplicative.

The work of the Commerce Department is not duplicative of the Eximbank. These are two different functions, both related to export promotion. So there are some who can make legitimate arguments that some of these functions would be better off under one roof.

Mr. HORN. OK. So what particular department functions from which departments do you think ought to be added to Commerce?

Mr. BROWN. Well, let's talk about some of the SBA functions.

Mr. HORN. OK. Some of those?

Mr. BROWN. Some of those, yes.

Mr. HORN. Anything in agriculture?

Mr. BROWN. Well, could I finish?

Two specifically, one in the international arena, I think the Commerce Department ought to be handling all of the international matters, notwithstanding whether they're for small business or for

big business. And the other is the minority business development area, where SBA has significant functions now which I think really belong in the Commerce Department. We've already had suggestions with Phil Lader and others in the leadership of SBA.

Mr. HORN. My last question, as I recall, the President appointed you to be sort of czar for California in terms of economic, jobs, et cetera. How much time do you spend on that compared to the time you spend on NOAA?

Mr. BROWN. Oh, I don't know if I could allocate that. Certainly during the time, as you know, Mr. Chairman, of the natural disasters which took place, we gave considerable assistance to your congressional district, as we did through the Economic Development Administration. I spent a lot of time in California.

Mr. HORN. Yes, the natural disasters I remember, the BRAC Commission, where Long Beach has suffered more than 46 States. So I wondered if the czar for California was doing anything.

Mr. BROWN. Well, as you know, Mr. Chairman, I was not on the BRAC Commission. As you know, the administration did not—raised serious questions about the recommendations made. They went counter to the administration's recommendations. California bore a disproportionate burden for base closures, and that's why we spent so much time, particularly with the Economic Development Administration, there in California.

Mr. HORN. Yes, they spent a lot of time and nothing happened.

Mr. BROWN. Well, I can give you an accounting of the dollars that have flown from EDA into California, including into the chairman's congressional district.

Mr. HORN. I'd love to see it. We'll put it at this point in the record.

Mr. BROWN. Thank you, Mr. Chairman.

[The information referred to follows:]

CALIFORNIAEconomic Development Grant Recipients (FY 1994)

(Grants exceeding \$250,000)

<b>Recipient</b>	<b>Location</b>	<b>Amount</b>
MBDA - Interagency agreement	Los Angeles	1,500,000
Weed, City of	Weed	656,000
California, State of	Sacramento	946,000
California, State of	Sacramento	1,980,172
Emerging Technologies Inc.	Carmichael	637,000
California Environment Vehicle Consort	San Francisco	1,964,861
Bay Area Economic Forum	San Francisco	2,670,000
JV: Silicon Valley Inc.	San Jose	2,100,000
Ripon, City of	Ripon	2,000,000
Scotts Valley, City of	Scotts Valley	2,500,000
Stanislaus, County of	I-5 & Sperry Interchange	1,900,000
Center for Employment Training	San Jose	3,225,000
Marina, City	Marina	900,000
California State University	San Jose	15,000,000
Tehachapi, City of	Tehachapi	624,635
Ventura, County of	San Buenaventura	760,000
Los Angeles, City of	Los Angeles	1,500,000
Los Angeles, County of	Monterey Park	685,000
Los Angeles, City of	Los Angeles	1,800,000
Valley Economic Development Center	Los Angeles Area	9,250,000
Los Angeles, County of	Monterey Park	650,000
Los Angeles County	Los Angeles	5,250,000
Telacu	Los Angeles	5,400,000
Fame Renaissance Corp	Los Angeles	2,200,000
Compton, City of	Compton	824,048
San Diego, City of	San Diego	1,290,156
Coachella, City of	Ave 52 & State Route 86	1,250,000
Heber Public Utility District	Heber	704,956
San Diego, City of	San Diego	4,779,798
San Diego, City of	San Diego	1,000,000
San Bernardino	San Bernardino	6,825,000
Victor Valley Ed Authority	Victorville	4,500,000
Victor Valley Ed Authority	Victorville	2,025,000

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COUNTY NAME	PROGRAM	STAT/DI	NUMBER	APPLICANT NAME	PROJECT DESCRIPTION	FEDERAL \$	TOTAL \$	PROJECT LOCATION	AP CD
ALAMEDA	LTD	950412	072904054	OAKLAND, CITY OF	PRODUCE DIST CTR FEAS/	120000	172401	OAKLAND	9
BUTTE	TA-LOC	950620	070604070	TRI-COUNTY ECON DEV CORP	VENUE IMP/PLN / P	50000	66667	CHICO	3
BUTTE	TA-UC	950415	07060316895	CA. STATE UNIV. CHICO	UNIV CTR CON/PLN	120025	162869	CHICO	2
BUTTE	PGS01B	950515	07051107685	TRI-COUNTY ECON DEV CORP	DIST CTR PLANING GR	79000	105234	CHICO, CA	2
DEL NORTE	SSED-R	950405	070904068	DEL NORTE, COUNTY OF	RESOURCE PLAN	96000	139631	CRESCENT CITY	1
FRESNO	PUB WK	950419	070104039	MALAGA COUNTY WATER DIST	INDUST WATER/SEWER IMPR	1820000	2700000	MALAGA	20
FRESNO	PUB WK	950724	070104077	MALAGA COVE CITY OF	TRAINING CENTER/SEWER	1800000	2475000	ORANGE COVE	20
FRESNO	TA-UC	950411	07060318295	STATE CTR COUN/ COLL DIST	UNIV CTR FRESNO	122025	162700	FRESNO	17
GLENN	LTD	950412	073010088	FIREBAUGH, CITY OF	INDUSTRIAL DEV/LS	25800	37500	FIREBAUGH	18
HUMBOLDT	PUB WK	950771	071904091	DRLAND, CITY OF	INDUSTRIAL PARK IMP	429882	1244260	DRLAND	2
IMPERIAL	SSED-R	950818	07051508195	ARCATA, CITY OF	MILL REUSE STUDY/PLAN	213000	284000	ARCATA	1
IMPERIAL	SSED-R	950818	07051508195	IMPERIAL, COUNTY OF	AREA CONT PLANNING GR	87000	78000	EL CENTRO CA	45
KERN	PUB WK	950816	070104044	BLSMOP INDIAN TRIB CNCL	INDUST AIRPORT INFRASCTUR	1100000	1100000	BISHOP RANCHERIA	40
KINGS	PUB WK	950826	070104085	MOJAVE PUB/E. KERN A/D	MOJAVE AIRPORT INFRASCTUR	600000	1012000	MOJAVE	20
LAKE	PUB WK	950819	070104085	HANFORD, CITY OF	12TH AVE SEWER TRUNK	1500000	3000000	HANFORD	20
LOS ANGELES	PUB WK	950810	070104085	LAKE COUNTY SANITATION D	WASTE WATER PLANT IMPRV	4079800	10389000	LAKEPORT	1
LOS ANGELES	PUB WK	950127	070104085	LOS ANGELES, CITY OF	INDUSTRIAL PARK WATTS	1600000	2800000	IN WATTS AREA OF L	25
LOS ANGELES	PUB WK	950703	070104084	VERMONT SLAUSON EDC	RENOVATION OF BUILDING	380000	500000	LOS ANGELES	32
LOS ANGELES	TA-UC	950411	07060323995	SOUTHERN CAL. UNIV OF	UV CTR SOUTHERN CAL	122025	165142	LOS ANGELES	28
LOS ANGELES	DEF-AD	950215	074904055	LOS ANGELES AREA CHAM/C	LA TRADE	2600000	3466667	LOS ANGELES	24
LOS ANGELES	EQUAKE	950808	071962016	PACIFIC COAST REG. SBDC	FINANCIAL RESTRUCTURING	3000000	3000000	LOS ANGELES	31
LOS ANGELES	EQUAKE	950204	071962012	LOS ANGELES, COUNTY OF	EARTHQUAKE RECOVER INFRA	1500000	1866668	LOS ANGELES	31
LOS ANGELES	EQUAKE	950209	071962011	LOS ANGELES, CITY OF	EARTHQUAKE RECOVER INFRA	3000000	3000000	LOS ANGELES	24
LOS ANGELES	EQUAKE	950915	071962018	LA BROTHERHOOD CRUSADE	TECH ASST MINDRITY BUS	2000000*	222300	LOS ANGELES	33
MENDOCINO	SSED-R	950619	07090401301	MENDOCINO, COUNTY OF	CAPACITY BUILDING	50000	66667	UKIAH	1
MERCED	LTD	950811	073904097	ATWATER, CITY OF	STORM DRAINAGE IMPROVMTS	558279	809100	ATWATER	18
MERCED	DEF-AD	950717	074904076	CASTLE JNT. POWERS AGENCY	AVIATION DIS. EXPDITON	3000000	263212	ATWATER	17
MONTREY	PUB WK	950830	070104075	SAND CITY, CITY OF	COMMERCIAL INFRAS IMPROV	2000000	5000000	SAND CITY	18
MONTREY	DEF-AD	950807	074904078	FORT ORD REUSE AUTHORITY	PLANNING /A	200000	267000	MARINA	17
MONTREY	DEF-AD	950812	074904072	FORT ORD REUSE AUTHORITY	FORT ORD INFRASTRUCTURE	5230000	5230000	MARINA	17
MULTI	DEF-AD	941012	990607398	US FOREIGN & COMM SERVIC	CALIF EXPORT INITIATIVE	860000	860000	STATE OF CALIFORNI	1
NAPA	DEF-AD	950721	074904056	NAPA, COUNTY OF	MARKETING/S	25000	33800	NAPA	1
NAPA	DEF-AD	950425	074904080	AMERICAN CANYON, CITY OF	INFRASTRUCTURE NEEDS/A	150000	300000	AMERICAN CANYON	1
ORANGE	SSED-R	950710	071904018	ANNAHEIM, CITY OF	TELEWORK CENTER MKT/A	25000	39000	ANNAHEIM	39
SACRAMENTO	PGS01B	950224	07051101298	SIERRA ECON DEV DISTRICT	CONTR PLANING GR	74000	98667	AUBURN, CA	14
SACRAMENTO	SSED-R	950619	07090401101	CALIFORNIA, STATE OF (RA)	CAPACITY BUILDING	95000	126867	SACRAMENTO	13
SACRAMENTO	DEF-AD	950818	070904045	SACRAMENTO, COUNTY OF	MATHER AFB CONVERSION	8280000	11000000	SACRAMENTO	3
SACRAMENTO	DEF-AD	950425	07490344101	CALED	TRAINING-DEFENSE CONT	30000	40000	SACRAMENTO	1
SACRAMENTO	DEF-AD	950425	07490344102	CALED	TRAINING DEF. CONT.	15000	20000	SACRAMENTO	3
SACRAMENTO	PGS01B	950224	07051508495	CALIFORNIA, STATE OF (HCD)	INDIAN CONT PLANNING GR	112000	14934	SACRAMENTO CA	3
SAN BERNARDINO	PUB WK	950727	070104089	APPLE VALLEY, TOWN OF	ROAD & SEWER IMPROVMENT	720000	1200000	APPLE VALLEY	40
SAN DIEGO	DEF-AD	950215	074904062	CHULA VISTA, CITY OF	ENVIRONMENTAL ALLIANCE/P	25000	267000	CHULA VISTA	48
SAN FRANCISCO	DEF-AD	950412	074904057	SAN FRANCISCO REDEV AGEN	REUSE PLANS	95000	95000	SAN FRANCISCO	8
SAN FRANCISCO	DEF-AD	950425	074904071	BAY AREA ECONOMIC FORUM	BAGDAD PROGRAM	646000	861324	SAN FRANCISCO	5
SAN FRANCISCO	DEF-AD	950315	074904074	SAN FRANCISCO PORT COMM	PIER TO CRANE REPAIRS	1900000	2000000	SAN FRANCISCO	8
SAN JOAQUIN	LTD	950622	072904083	SAN JOAQUIN COUNTY EDC	BUSINESS RETENTION STRAT	30000	40000	STOCKTON	11

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COUNTY NAME	PROGRAM	STAT/DT	NUMBER	APPLICANT NAME	PROJECT DESCRIPTION	FEDERAL \$	TOTAL \$	PROJECT LOCATION	AP CD
SAN MATEO	LTD	950610	07390-079	EAST PALO ALTO, CITY OF	PRELIM A/E	76000	100000	EAST PALO ALTO (NA	12
SANTA CLARA	DEF-AD	950609	07490-098	SILICON VALLEY DEFENSE	RUSSIAN BUSINESS CONF.	57000	57000	SAN JOSE	19
SANTA CLARA	DEF-AD	950906	074903-18801	CALIFORNIA STATE UNIV	FT ORD CONVERSION	18889586	18889586	SAN JOSE	17
SANTA CRUZ	PUB WK	950618	07010-083	WATSONVILLE, CITY OF	WASTEWATER TREATMENT PLT	28000000	6230000	WATSONVILLE	16
SANTA CRUZ	TA-LOC	950210	07060-047	SANTA CRUZ, COUNTY OF	ECD TOURISM/S	300000	44324	SANTA CRUZ COUNTY	15
SANTA CRUZ	DEF-AD	950406	07490-083	CA. UNIV OF, SANTA CRUZ	STEP CENTER	11920000	1889324	SANTA CRUZ	17
SHASTA	PUB WK	950628	07010-085	REDDING, CITY OF	TURTLE BAY INFRASTRUCTUR	16000000	2097000	REDDING	2
SHASTA	TA-LOC	950411	07060-089	REDDING, CITY OF	MARKETING/RPT	28000	32374	REDDING	2
SHASTA	SEED-R	950412	07090-01201	SUPERIOR CA ECON DEV DIS	CAPACITY BUILDING	96000	128667	REDDING	2
SHASTA	PG30-R	950108	07051108898	SUPERIOR CA ECON DEV DIS	OSTRICH CONTN PLANNING GR	579760	749700	REDDING	2
SISKIYOU	PUB WK	950628	07010-084	YREKA, CITY OF	WALN ST SEWER/INTERCEPT	3176000	454700	YREKA	1
SOLANO	DEF-AD	950308	07490-046	VACAVILLE, CITY OF	BUSINESS INCUBATORS	176000	232928	VACAVILLE	1
TOLAND	DEF-AD	950308	07490-046	VACAVILLE, CITY OF	BUSINESS INCUBATORS	176000	232928	VACAVILLE	1
TOLAND	SEED-R	950618	07080-090	TRINITY, COUNTY WH DIST 1	RECREATION PLANS/	90000	138000	HAYFORD	2
TUOLUMNE	PG30-R	950618	07081104998	CENT STERRA EC DEV DIST	STRUC PLAN	57000	78000	SONORA CA.	16
VENTURA	SEED-R	950618	07190-088	FILLMORE, CITY OF	CORNER BLDG/CITY HALL	1882108	1882108	FILLMORE	23
VENTURA	EQUAKE	950204	071982012	VENTURA, COUNTY OF	EARTHQUAKE RECOVER INFRA	5500000	5500000	SAN BUENAVENTURA	23
VENTURA	EQUAKE	950602	071982015	VENTURA, COUNTY OF	FINANCIAL RESTRUCTURING	1700000	1889000	SAN BUENAVENTURA	23

RECORD COUNT = 64

---SUBTOTALS FOR APPROVED---

Mr. HORN. I know we've been helpful to your office in the World Trade Center, they've done a fine job. We tried to show them around the community.

I yield to the ranking minority member, Mrs. Collins.

Mrs. COLLINS. Thank you, Mr. Chairman.

Secretary Brown, before you came in, I spoke about the way the Department of Commerce has been instrumental in getting foreign governments and foreign purchasers to buy U.S. goods and services. I particularly pointed out some of the work that you did with Raytheon. I wonder if you would tell me a little bit about how the Department worked with the Raytheon Corp. to win that \$1.4 billion contract from the Government of Brazil?

Mr. BROWN. Certainly, Mrs. Collins. And I might say that it's a good example of the kind of synergy that exists within the Commerce Department that some evidently would like to see broken up. It was the International Trade Administration, it was the Technology Administration, it was NOAA, just to name three components, working together. This was highly competitive.

This is the whole Amazon environmental project, which is crucial to a company like Raytheon, which has basically been a defense contractor, and is now trying to convert using the technology it used in the defense area for civilian and commercial purposes. In the end, our major competitors were the French.

It was assumed that the French were going to be victorious. We took a major trade mission to Brazil. I had the CEO of Raytheon accompany me. We worked side-by-side with an American company of great importance I think to the future of America.

The degree to which we were successful I think is clearly indicated by the way the word was given. When the Brazilian Government decided that in fact Raytheon was the victor, it's not only Raytheon, it's many American companies that are subcontractors, I was called as Secretary of Commerce of the United States by the highest officials of the Brazilian Government to inform me that in fact an American company had won. They asked me to inform Dennis Piccard, the CEO of Raytheon.

That's the kind of relationship that we developed. Not doing anything that the American company didn't want us to do, but standing shoulder to shoulder with American business and industry to try to be a strong and effective advocate. That is the only way you compete and win in this new tough global economic environment.

The world has changed so dramatically as you know, Mrs. Collins, that we can't just do all the things we've always done a little bit better. We've got to do some new and creative and dynamic things.

And one of those things is forming a real partnership with the private sector, with the clear understanding that it's the private sector that has to lead. As I often say, it's the private sector that fuels the engine that pulls the train of economic growth and job creation. But we in government have responsibility to help clear the track, so that that train can run smoothly and quickly, and the Raytheon example is a good example of that.

Mrs. COLLINS. And there are others—there certainly are similar trade advocacies and success stories that you could tell us about, too, and I'm sure you will for the record. I will ask you to put that in writing.

[The information referred to follows:]

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**SUCCESS STORY**

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**BABCOCK & WILCOX Co.**

20 S. Van Buren, P.O. Box 351  
Barberton, Ohio 44203  
Congressional District: OH-14

**Contact:** Mr. Walter Boomer, President and Chief Operating Officer  
Tel: (216) 753-4511 Fax: (216) 860-1886

**Market(s):** Israel

Babcock and Wilcox, a subsidiary of McDermott Inc., successfully negotiated a contract with the Israeli Electric Corporation to provide two 550 MW pulverized coal/oil-fired boilers for the Rutenberg power station in southern Israel. The total value of the project was 140 million, \$89 million of which represented the U.S. content. Eximbank offered the financing for the project. According to Tom Bauer, company official, Department of Commerce and the Embassy interest in the project as well as Secretary Brown's witnessing the signing of an agreement between the Israeli Electric Corporation and Babcock and Wilcox, helped the project to gain momentum in the final stages of the contract negotiations. Babcock and Wilcox plans to source boilers for the project from the United States.

***CLEARED***

Originating Office  
Advocacy Center  
Contact: Raphiel Hampton

Key: lg

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**United States Department of Commerce  
International Trade Administration**

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**SUCCESS STORY**

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**TRW CIVIL AND INTERNATIONAL SYSTEMS DIVISION**

One Space Park  
Redondo Beach, CA 90277  
Congressional District: CA-36

**Contact:** Mr. Paul Y. Sasaki, Vice President and General Manager  
Tel: (310) 813-7860 Fax: (310) 814-1085

**Market(s):** South Korea

In August 1994, TRW, a large California satellite manufacturer, was bidding on the Korean Multi-Purpose Satellite (KOMSAT) project. Competing for the project were another U.S. company and a French firm. The Advocacy Center, housed at the Department of Commerce, coordinated the Advocacy Network's efforts on behalf of the two American companies.

Secretary of Commerce Ronald H. Brown met with Kim Chulsu, Korea's Minister of Trade, Industry and Energy in September 1994. During the meeting, he hand-delivered a letter supporting the two American companies' bid for the \$100 million project (estimated \$30 million in U.S. export content). The letter from Secretary Brown was addressed to the President of the Korean Aerospace Research Institute, the organization selecting the winning contractor.

Three days after the Secretary's meeting with the trade minister, TRW contacted the Advocacy Center to report that the South Korean government had awarded the contract to TRW, thanking the Department and the Secretary for their support. The TRW spokesperson commented that "the Secretary played an important role in this win." This contract will support an estimated 275 U.S. jobs.

**CLEARED**

Originating Office  
ITA Advocacy Center  
Contact: Sandra Yacura/Mike Miron

**Key:** lrg  
mfr  
bern  
adv  
job

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**United States Department of Commerce  
International Trade Administration**

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 SUCCESS STORY
 

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**CH2M Hill International, Inc.**

6060 S. Willow Drive  
 Greenwood Village, CO 80111  
 Congressional District: CO-6

**Contact:** Mr. Mike Ratliff, Director of International Affairs  
 Tel: (202) 393-2426 Fax: (202) 783-8410

**Market(s):** Brazil

On May 30, 1995, **CH2M Hill International, Ltd.**, a top environmental engineering firm with more than 6000 employees, was selected from five bidders to develop the Ribeirão Preto Wastewater Treatment Facility in Brazil. Within several months, finance arrangements will be concluded by CH2M Hill and the contract will be signed. Total initial project investment will be approximately \$30 million and REK Construtora, Ltda. is the local consortium leader. The U.S. export value may be up to \$15 million and covers engineering services to design the facility, manage construction, and operate it during project development. With a Brazilian water/wastewater market estimated at \$50 billion, winning this opportunity represents a strategic victory for CH2M Hill and for U.S. component suppliers or others following this lead into the market.

The Advocacy Center coordinated Under Secretary Jeffrey Garten's visit with the Mayor of Ribeirão Preto to encourage selection of an American company. Secretary Ron Brown followed-up with a letter to the mayor emphasizing CH2M Hill's qualifications and expressing personal interest in the bidding outcome. Subsequently, U.S. and Foreign Commercial Service, senior commercial officer in São Paulo, Richard Ades, wrote one more letter to the mayor requesting a fair and competitive final decision.

According to CH2M Hill executives, "throughout the selection process, the Department of Commerce did its best to ensure a fair and level playing field."

**CLEARED**

Originating Offices  
 FCS Sao Paulo  
 Advocacy Center  
 Contact: Dave Earle

Key: lrg  
 svc  
 bem  
 adv

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**United States Department of Commerce  
 International Trade Administration**

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**SUCCESS STORY**

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**MARTECH INTERNATIONAL, INC.**

599 South Barranca Ave.  
Covina, California 91723  
Congressional District: CA- 28

**Contact:** Mr. David Brantingham, Vice President  
Tel: (818) 332-4232 ext. 3105 Fax (818) 339-7699

**Market:** Bangladesh

**MI Environmental Services**, a division of **Martech International, Inc.**, a small firm of employees, won a contract, approved at all levels, to provide services to Petrobangla for \$1.5 million.

In September 1994, Martech requested Advocacy Center assistance in winning a World Bank-funded contract to provide consultancy services for the development of an environment and safety management system for the Gas and Minerals Corp.(Petrobangla) of Dhaka, Bangladesh. In competition with European, Canadian and Asian firms, Martech developed a bid for state-of-the-art policies and procedures to ultimately be approved for this job. The company's winning strategy was to provide the best and appropriate technology and implementation experience from the U.S. at competitive pricing.

Anticipating a very slow decision-making process on this project, Martech sought Advocacy Center intervention in contacting three key people within the Bangladesh Government as well as working with Commerce's liaison office within the World Bank. Initial steps taken by the Advocacy Center included TPCC network coordination to have a letter sent by Chief, Economic/Commercial Section of our Embassy which supported follow-up visits by the company's president.

President, Dr. H.A. Quazi, says " that success in winning this project was due in great part to the continuing attention by the Advocacy Center. Martech will engage four person years of engineering staff at its California location, in servicing this contract."

**CLEARED**

Originating Office  
Advocacy Center  
Contact: David Earle

Key: sml  
srv  
adv

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**SUCCESS STORY**

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**MISSION ENERGY COMPANY**

18101 Von Karmon, Suite 1700  
Irvine, CA 92715-1007  
Congressional District: CA-46

**Contact:** Mr. Bob Edgell, Senior Executive Vice President  
Tel: (714) 752-5588 Fax: (714) 757-4731

**Country:** Indonesia

**Mission Energy Company**, a non-utility subsidiary of Southern California Energy (SCEcorp), which also owns Southern California Edison Company, is spearheading SCEcorp's international private power development. After three years of effort and assistance from Commerce's Jakarta office and the U.S. Embassy in Indonesia, Mission Energy and its partners were awarded a \$2.6 billion power plant contract, signed and witnessed by Secretary Brown during the APEC meetings in November 1994. U.S. content is estimated to be \$700 million in goods and services. Ex-Im Bank and OPIC have committed to portions of the project financing, and the financial closing is expected to be finalized in February 1995.

In 1991, Mission Energy and its partners submitted a tender for the Paiton Power project, Indonesia's first private power plant. Extensive Embassy support was provided to Mission Energy throughout the extended development process and meetings were arranged with high-level Indonesian government officials. The Ambassador was instrumental in supporting the Mission bid and advocated continuously on their behalf with various Ministers and Ministry officials. All relevant sections of the Embassy provided ongoing support and assistance.

**CLEARED**

Originating Office  
US&FCS Jakarta  
Contact: Michael Hand

Key: lrg  
srv  
bem  
adv

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**SUCCESS STORY**

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**McDONNELL DOUGLAS**

3855 Lakewood Blvd.  
Long Beach, CA 90846  
Congressional District: CA-38

**Contact:** Mr. Mark Schlansky, Manager of Commercial Aircraft (D.C. Office)  
Tel: (703) 412-3832 Fax: (703) 412-3914

**Market(s):** People's Republic of China

**McDonnell Douglas** reached agreement in 1992 to co-produce 40 aircraft in China. At that time, the agreement was to manufacture a mixture of MD80 and MD90 planes. Soon after the agreement was signed, the Chinese requested that negotiations be re-opened. The second round of negotiations concerned the possibility of co-manufacturing 20 MD90s and direct purchase from California of a mixture of 20 MD80s and MD90s. This agreement was attractive to both sides, however, the Chinese were not able to gain final approval.

The total value of the agreement was \$1.6 billion. During his visit to Beijing, Secretary Brown raised this issue with all appropriate high-level officials. The Secretary was able to help break the logjam on the Chinese side to obtain final approval from the PRC government. The contract was signed on November 4, 1994 at the Department of Commerce in Washington, D.C. and witnessed by Vice Premier Li Lanqing and Secretary Brown.

**CLEARED**

**NOTE:** President Clinton announced the agreement in a meeting with Senator Boxer and Senator Feinstein the day the agreement was signed.

Originating Office  
US&FCS China  
Contact: Steven Hendryx

**Key:** lrg  
mfr  
bem  
adv

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**SUCCESS STORY**

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**AQUATICS UNLIMITED, INC.**

2150 Franklin Canyon Road  
Martinez, CA 94553  
Congressional District: CA-7

Contact: Mr. Thomas McNabb, President  
Tel: (510) 370-9175 Fax: (510) 370-9197

Market(s): Indonesia

After attending a Department of Commerce-sponsored event in Mexico City in December 1993, **Aquatics Unlimited** decided to pursue opportunities for exporting their dredging equipment to Indonesia. President Thomas McNabb contacted the Commerce office in Jakarta when his efforts to complete a deal with his Indonesian partners came to a standstill. With the assistance of the Commerce's Senior Commercial Officer, the Advocacy Center and the Ambassador, Aquatics was able to secure the necessary Indonesian government approval to close the deal.

Aquatics signed an agreement with PT Amarta Karya, in which Aquatics will manufacture and provide several lines of its environmental waterway cleanup vessels, including debris skimmers, dredges, and aquatic weed harvesters. The agreement also includes operational staff and management training by Aquatics. The agreement is expected to be worth \$10 million over the next five years, with 85 percent of the materials originating from Aquatics facilities in Martinez and Antioch, California. In addition, this agreement will more than double the staff at Aquatics from 20 to 50 people.

Mr. McNabb stated, "my observations and experiences have shown that the opportunities available are achievable through the support of the working group that the Clinton Administration has established to help small businesses." He added, "this project is a great show of the capabilities of government and the private sector teaming up to solve environmental problems."

**CLEARED**

Originating Office  
US&FCS Headquarters (DG)  
Contact: Elizabeth Krauth

Key: sml  
mfr  
bem  
adv  
job

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**SUCCESS STORY**

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**Black & Veatch International**

11401 Lamar  
Overland Park, KS 66211  
Congressional District KS-3

**Contact:** Mr. Kenneth E. Habiger, Vice President and Partner  
Tel. (913) 339-2990 Fax: (913) 339-2934

**Market(s):** India

Black & Veatch signed a memorandum of understanding (MOU) for the Power Purchase Agreement from the state government of Kerala, India. The memorandum allows Black & Veatch its U.S. and India partners, and the state government of Kerala to sign a finalized contract on the 500 megawatt combined cycle electric power plant.

Black & Veatch received support from the Secretary of Commerce Ronald H. Brown during the recent trade mission to India. The Department of Commerce and other U.S. Government agencies supported Black & Veatch in their effort to receive financing from the U.S. Export-Import Bank.

Black & Veatch's worldwide reputation for quality workmanship and competitive price makes it a perfect candidate to develop the 500 megawatt combined cycle electric power plant in Kerala, India. The Kerala power project has a total value of \$565 million and has a U.S. export content of \$250 million retaining or supporting 500 U.S. jobs.

Black & Veatch's commitment to power projects in India spans the last eighteen years and the present work is regarded as another link in cooperation with India that will continue into the 21st century.

**CLEARED**

Originating Office:  
Advocacy Center  
Contact: Sandra Yacura  
Roza Pace

Key: lrg  
man  
bem

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United States Department of Commerce  
International Trade Administration

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SUCCESS STORY

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**Motorola Inc.**

1303 E. Algonquin Road  
Schaumburg, IL 60196-1065  
Congressional District IL-8

**Contact:** Marjorie Chorlins, Government Relations  
Tel: (202) 371-6926 Fax: (202) 842-3578

**Market(s):** Hungary

Motorola Inc. was selected to supply a \$100 million wireless local loop system of which nearly \$50 million is U.S. export content. Contract details were finalized on June 12, 1995.

Motorola requested advocacy from the DOC to counter stiff advocacy efforts from foreign Governments supporting the following firms; Ericsson (Sweden), Nokia (Finnish), and Siemens (Germany). Motorola received several letters of support from Ambassador Donald Blinken which were prepared by the US&FCS officer in the U.S. Embassy.

It is estimated that this \$100 million contract would support nearly 1,250 jobs. Jack Scanlon, Motorola Executive Vice President and General Manager of its Cellular Infrastructure Group, said, "The support we received from the Department of Commerce and the U.S. Embassy in Budapest was instrumental in assisting Motorola to win this contract."

**CLEARED**

Originating Office:  
Advocacy Center  
Office of Telecommunications  
Contact: Sandra Yacura  
Mike Miron  
Linda Gossack

Key: lrg  
adv  
man

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United States Department of Commerce  
International Trade Administration

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**SUCCESS STORY**

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**WMX Technologies, Inc.**

3003 Butterfield Road  
Oak Brook, IL 60521  
Congressional District: IL-14

**Contact:** Amos Argentini, Managing Director, Waste Management España, S.A.  
Tel: (34 / 1) 547-5003 Fax: (34 / 1) 542-5173

**Market(s):** Spain

Continuous efforts, especially by U.S. and Foreign Commercial Service (USFCS) Madrid, helped the WMX affiliate, Waste Management España, S.A., win, in February 1995, a contract with the Galicia Municipal Government to manage a new industrial waste treatment plant, built with technical support from WMX. Revenues for the first 20-year period are estimated at \$100 million. The contract is renewable in 20-year increments for up to 99 years. A joint company has been created to run this public service in Galicia, in which WMX holds 51% ownership, retaining operation and business control. This project holds immense strategic value, for it is WMX's first hazardous waste project in Spain.

This success would not have been possible without the extensive and unrelenting advocacy efforts of many parties. Ambassador Gardner advocated repeatedly over many months, and Secretary Brown met with Spanish officials regarding this contract. Director-General Fitz-Pegado of USFCS continued the advocacy during her Madrid visit. The Advocacy Center of the Department of Commerce was instrumental in coordinating advocacy efforts, preparing Secretary Brown for his visit to Spain. Amos Argentini, Managing Director of Waste Management España, "credits the Department of Commerce with much help in obtaining this contract. The contract has had a positive effect on employment, creating 1-year-job-equivalents of 3 U.S. technical engineers."

*CLEARED*

Originating Offices  
FCS Madrid  
Advocacy Center  
Contact: Dave Earle

Key: lrg  
mfr  
adv

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United States Department of Commerce  
International Trade Administration

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**SUCCESS STORY**

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**F.C. Schaffer & Associates, Inc.**

1020 Florida Boulevard  
Baton Rouge, LA 70802 Congressional District LA-6

**Contact:** Ms. GERALYN GRAPHIA, Vice-President and General Manager  
Tel: (504) 343-9262 Fax: (504) 343-0420

**Market(s):** Ethiopia

In October 1994, F.C. Schaffer & Associates, Inc. a subsidiary of Serv-Tech, Inc., signed a contract with the Ethiopian Government to design, engineer, supply, construct and commission a 4,000 ton per day sugar factory and ethanol plant in Ethiopia.

Throughout the past few years, in view of strong French, Italian and Dutch competition and interference, F.C. Schaffer has relied heavily on U.S. Government support to maintain its position during this difficult endeavor of building a 4000 ton per day sugar factory and 45,000 liter per day ethanol plant in the Finchaa Valley, Ethiopia. With strong support from the Department of Commerce's Advocacy Center, the Department of the Treasury, the Trade Development Agency and the Department of State, Schaffer & Associates was able to accomplish its objective of winning the contract award and having the contract become effective.

Schaffer & Associates is one of the world's leading experts on sugar mill design, engineering, and construction management, with over thirty years of experience. The Schaffer & Associates' tender was rated number one in terms of technology and quality of goods to be supplied.

The Finchaa Project has a value of \$83 million, with a U.S. export content of nearly \$45 million, which will support fifty engineering and construction management jobs, as well as employment possibilities for a number of vendors. The project, which is being funded by the African Development Bank, is scheduled to begin immediately and is to be completed in the latter part of 1997.

Richard L. Daerr, President and Chief Executive Officer of Serv-Tech stated, "While this project and the acquisition of Schaffer is a major opportunity for Serv-Tech, it also represents a significant milestone in our strategy to expand Serv-Tech into other process industries as well as

additional international markets. Sugar processing facilities represent an attractive global opportunity for our Company through the remainder of the decade and beyond." Mr. Daerr added, "This project represents not only the largest contract for the Company, but also one of the largest awards for a United States contractor in this region of Africa."

**CLEARED**

Originating Office

Advocacy Center

Contact: Sandra Yacura and Mike Miron

Key: lrg

srv

adv

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**United States Department of Commerce International Trade Administration**

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**SUCCESS STORY**

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**POLAROID CORPORATION**

549 Technology Square  
Cambridge, Massachusetts 02139  
Congressional District: MA-8

**Contact:** Robert Guenther, Director of Corporate Public Relations  
Tel: (617) 386-3112 Fax: (617) 386-3125

**Market(s):** India

At the request of the Polaroid Corporation, the Department of Commerce worked with the Government of India to enact a large reduction of its tariff on instant print film. Polaroid had entered into a joint venture with an Indian firm to distribute instant print film and produce instant cameras for industrial use. Sales of instant print film in India, however, were severely inhibited by an effective import duty of 50 percent.

Polaroid sought U.S. Government assistance in persuading the Indian Government to reduce its tariff to 20 percent. With a lowered tariff, Polaroid expected to sell more products in India, which would create jobs in India and increase U.S. exports. Polaroid met with several offices within the International Trade Administration of the Department of Commerce to discuss the policy implications and strategies for seeking a tariff reduction. As a result of these meetings, Secretary Ronald Brown advocated on Polaroid's behalf during his 1995 trade mission to India. In separate meetings, both Under Secretary Jeff Garten and Assistant Secretary Raymond Vickery raised the issue with their Government of India counterparts.

India's subsequent tariff reduction to 21 percent was viewed as an important trade policy success. Polaroid attributes a large portion of this success to the Department of Commerce's aggressive, persistent and visible support.

**CLEARED**

Originating Office  
Advocacy Center  
Contact: Sandra Yacura  
Bob Manogue

Key: bem

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United States Department of Commerce  
International Trade Administration

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**SUCCESS STORY**


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**McDonnell Douglas Corporation**

P.O. Box 516  
 Saint Louis, MO 63166-0516  
 Congressional District MO-1,3

**Contact:** John F. McDonnell, Chief Executive Officer  
 Tel: (314) 232-3500 Fax: (314) 234-8296

**Market(s):** United Kingdom

McDonnell Douglas was selected to supply a \$50 million launch vehicle for the British Ministry of Defense "skynet" satellite program. McDonnell Douglas was awarded the contract on February 18, 1994.

McDonnell Douglas was in pursuit of a bid to supply launch vehicles for the "Skynet" project in the United Kingdom, and was facing heavy competition from a French government supported company. In early 1994, McDonnell Douglas approached the Clinton Administration's Advocacy Network, headquartered in the Department of Commerce, to ask for advocacy support.

In a very short time, the Advocacy Center coordinated support for the project from U.S. commercial officers in London, and aerospace industry specialists at the Department of Commerce in Washington. Letters of support from Secretary of Commerce Ronald H. Brown were delivered to the project's key decision makers.

In February 1994, the U.K. Government announced that it had awarded one of the launch vehicles worth \$50 million to McDonnell Douglas. The contract will result in \$50 million of U.S. exports, supporting an estimated 1,100 U.S. jobs.

**CLEARED**

Originating Office  
 Advocacy Center  
 Office of Aerospace  
 Contact: Sandra Yacura  
 Mike Miron  
 Clay Mowry

Key:  
 Lrg  
 Man  
 Adv

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**United States Department of Commerce  
 International Trade Administration**

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 SUCCESS STORY
 

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**AT&T**

32 Avenue of the Americas  
 NY, NY.  
 Congressional District NJ-14

**Contact:** Alex Shalaby  
 Tel: (202) 457-3872 Fax: (202) 466-2746

**Market(s):** Saudi Arabia

AT&T was awarded the sixth telecommunications expansion program (TEP-6), a \$4 billion contract to help build and modernize the Kingdom of Saudi Arabia's telecommunications infrastructure. The Saudi Arabian Ministry of Posts and Telecommunications announced the selection of AT&T in May 1994. The contract for the project, which will be implemented over 7 years, was formally signed on August 13, 1994.

AT&T received advocacy support from the Trade Promotion Coordinating Committee's Advocacy Network due to stiff competition from the French, Japan, Germany and Canada. President Clinton and Secretary Brown sent advocacy letters on behalf of AT&T. Secretary Brown and Secretary Christopher also met with key decision makers while visiting Saudi Arabia.

AT&T thanked the Clinton administration for its support saying, "We appreciate the support that the entire Clinton Administration has provided during this process. It is another example of the positive results of partnership between the public and private sectors." AT&T also said that the \$4 billion project, with nearly \$2 billion in U.S. export content, would support 34,000 American jobs.

CLEARED

Originating Office:  
 Advocacy Center  
 Office of Telecommunications

Key: adv  
 lrg  
 srv  
 job

**Contacts:** Mike Miron  
 Rick Paddock  
 Sandra Yacura

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**United States Department of Commerce  
 International Trade Administration**

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**SUCCESS STORY**

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**GENERAL ELECTRIC CORPORATION**

1299 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
Congressional District: NY-21

**Contact:** Ms. Orit Frenkel, Senior Manager for International Trade and Investment  
Tel: (202) 637-4273 Fax: (202) 637-4300

**Market(s):** Malaysia

General Electric Corporation (GE), in a consortium with Black and Veatch, was selected as the prime contractor by the Malaysian public utility to build a 500 MW power generation plant in Malaysia. GE received extensive assistance from the Department of Commerce's Advocacy Center and from the Department of the Treasury. Under Secretary Garten advocated on behalf of the firm with Malaysian officials, and the U.S. Embassy provided counselling and advice.

The project, which is funded by Japanese Overseas Development Assistance, is valued at approximately \$250 million. Mr. R. Michael Gadbow, Vice President and Senior Counsel of the General Electric Company, stated that "The Department of Commerce's advocacy efforts conducted in connection with Ron Brown's trip to Malaysia were instrumental in bringing to conclusion the \$250 million Port Klang Power Project supporting 2,700 jobs for GE and its suppliers." The U.S. export content is estimated at \$140 million.

**CLEARED**

Originating Office  
TD Office of Energy, Environment & Infrastructure  
Contact: Catherine Vial

**Key:** lrg  
svr  
adv  
job

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**SUCCESS STORY**


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**NYNEX Corporation**

335 Madison Avenue  
 New York, NY  
 Congressional District NY-19

**Contact:** Mr. Ivan Seidenberg, Chairman and Chief Executive Officer  
 Tel: (914) 644-6400 Fax: (914) 644-7649

**Market(s):** Hong Kong, Italy, Egypt, Spain, United Arab Emirates, Japan, Malaysia, Thailand, Korea

After beginning the complex bidding process for the Fiberoptic Link Around the Globe (FLAG) project, a telecommunications effort involving nine different countries and a multitude of bidding processes, NYNEX approached the U.S. Government for assistance in its efforts to counter stiff competition from a French and Singapore consortium. After two years working with the Department of Commerce's Office of Telecommunications, US&FCS in-country specialists and the Advocacy Center, as well as the various U.S. Ambassadors, and other agencies, NYNEX won the bid to install the global telecommunications system. Secretary of Commerce Ronald H. Brown supported the project by sending letters of advocacy to the key government representatives of Africa, Asia, and Europe, supporting the FLAG project.

The state-of-the-art cable meets the requirements of Posts, Telegraph, and Telecommunications authorizes as well as international carriers, and delivers the highest level of performance and reliability. When completed in 1996, FLAG will be the longest undersea telecommunication cable running from Japan to the United Kingdom. The project value has been estimated at \$1.4 billion, with nearly \$900 million in U.S. content, supporting 10,000 U.S. jobs. Not only will the FLAG support a multitude of U.S. workers in a range of industries, but it will also open the door to a new world of telecommunications.

Tom Tauke, Executive Vice President of NYNEX said, "The Commerce Department played an important role in bringing FLAG's construction to fruition. The letters of advocacy sent to the key government representatives in Europe, Asia, Africa prior to the signing of last week's agreement sent a clear and strong message of support from the U.S. government for the project, and we believe your efforts contributed significantly to our success."

**CLEARED**Originating Office

Office of Telecom

Advocacy Center

Contact: Sandra Yacura

Towy Mocenigo

Mike Miron

lrg

srv

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United States Department of Commerce  
 International Trade Administration

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**SUCCESS STORY**

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**ARTAIS WEATHER-CHECK**

4660 Kenny Road  
Columbus, OH 43220  
Congressional District: OH-12

**Contact:** Mr. Charles Shanklin, President  
Tel: (614) 451-8388 Fax: (614) 451-0229

**Market(s):** Indonesia, Malaysia, and Thailand

**Artais Weather-Check** (Artais), a small company with sales of around \$5 million, participated in Trade Development's Aerospace Executive Trade Mission to the ASEAN region sponsored by Commerce's Office of Technology & Aerospace Industries. During the mission, Artais learned of more than \$1 million in sales opportunities in Kuala Lumpur, and in Bangkok it uncovered more than \$2 million in contract opportunities. Commerce promoted, organized, and recruited the participation of firms such as Artais for this successful trade mission.

In a letter to the Department, Mr. Shanklin, the President of Artais, noted that "As a small company, Artais has not been able to enjoy some of the luxuries that many businesses take for granted. Small business is continually faced with the limited capability of attracting the proper audience and establishing meetings with the higher level decisionmakers. The trade mission was the first opportunity for Artais to make these crucial contacts, and we have consequently been successful in identifying new opportunities in each country."

Artais manufactures automated weather observing systems (AWOS) for airports. Artais' complete line of AWOS technology is suitable for collecting and disseminating weather data to meteorological centers or sending it directly to users via voice radio, telephone, or satellite links.

**CLEARED**

Originating Office  
TD Office of Technology & Aerospace Industries  
Contact: Mike Diaz

**Key:** sml  
mfr  
ber

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**SUCCESS STORY**

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**IDB Systems**

3236 Skyline Drive  
Carrollton, TX 75023  
Congressional District TX-26

**Contact:** Christopher Morris, Vice President Sales & Marketing  
Tel: (214) 407-7700 Fax: (214) 407-7787

**Market(s):** Haiti

IDB Systems was awarded a \$5 million contract on March 29, 1995 by the government of Haiti for the design, integration, installation and commissioning of a Satellite Earth Station.

IDB received support from Deputy Secretary Barram who advocated on behalf of U.S. companies bidding on the project. The Advocacy Center and the Office of Telecommunications worked closely with IDB to provide the briefing material that was integral to Deputy Secretary Barram's support when he went to Haiti. IDB was competing against stiff French competition.

IDB thanked the Department of Commerce for its support saying, "It is very much satisfying to see the Department of Commerce seeking and obtaining active support internationally for American Industry. We look forward to seeing more and more of this type of advocacy by the United States Government." IDB estimates that the \$5 million agreement, virtually all of which constitutes U.S. export content, will support about twenty jobs. IDB currently has 45 employees.

**CLEARED**Originating Office:

Advocacy Center  
TD/Office of Telecommunications

Contact: Sandra Yacura  
Mike Miron  
Clay Mowry

Key: sm  
adv  
man

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United States Department of Commerce  
International Trade Administration

Mrs. COLLINS. Two of the department's programs that I certainly care about are the MBDA, which you mentioned, and the Economic Development Administration. Both of those would be terminated by the Chrysler bill.

It seems to me that these agencies are used to promote competitiveness was for U.S. firms in the domestic as well as the world market. That's something most people don't realize; it is the world market as well. So I want you to tell me how these programs are being used to promote business abroad.

Mr. BROWN. Absolutely. The fact is, I have a deep and abiding concern about MBDA. I think it's terribly important that minorities of America have an opportunity to participate in our economy, and not just as workers, but as entrepreneurs. That's what MBDA does. It does it on a very small budget.

We've tried to assure that we include minority entrepreneurs on all of our trade missions, whether they're ones that I lead or that others in the Department lead. We have worked—Chairman Horn recognized the work of our Export Assistance Centers, one in Long Beach that is doing an outstanding job. We've made sure that the MBDA is included in that effort.

We have had minority entrepreneur trade missions. So I think that's terribly important that we continue that effort. EDA speaks for itself. And frankly, I think the votes on the floor of the House of Representatives speak for themselves.

There was this rumor that there wouldn't be bipartisan support for EDA. When that amendment came up under the appropriations bill, it won overwhelmingly, with strong Republican support for EDA. I was very encouraged by that, because that's also not only an effort to assure that we make communities competitive where there have been base closures, when there's been a reduction of defense expenditures, which can be devastating to communities not only in California but all over the country, but it's been a real focus of those defense conversion efforts.

How we leverage Federal dollars to attract private sector investment, those are the most important dollars that we spend, I believe, Mrs. Collins. To make sure that there is some infrastructure in a community that will give private sector leaders some reason to invest and to build plants and to employ people. That's what it's all about.

Mrs. COLLINS. Thank you.

The one concern I have is that combining the trade negotiating function in with other trade functions such as the regulation of dumping and unfair subsidies are going to hurt sensitive U.S. industries like lumber, for example. Now, is there a serious risk in your view that adjudication of specific antidumping and countervailing duty cases could become issues for trade negotiations if these trade functions are consolidated in one trade agency as Congressman Mica has proposed?

Mr. BROWN. There is no question about that, Mrs. Collins.

It would be a terrible mistake in my judgment and the judgment of the President to combine USTR and the Commerce Department trade functions. They do not work compatibly together. There are two different missions. Do we coordinate, do we cooperate? Of course we do. But they do not belong together.

Mrs. COLLINS. Thank you, Mr. Chairman.

Thank you, Mr. Secretary.

Mr. HORN. Thank you.

I now yield to the chairman of the full committee, Mr. Clinger.

Mr. CLINGER. Mr. Secretary, your testimony states, "that we need Commerce to represent American business interests at the highest levels of government." And I think I would agree with that statement.

But I think I would state that in my view a genuine advocate—and you have said you view your role as an advocate for American business—that a genuine advocate would be promoting fewer regulations, lower taxes, litigation reform, lower interest rates through the reduction of our budget deficit.

I would have to say, Mr. Secretary, that in my view your department has been very absent from this debate on these kinds of issues. And these are the issues that have greatest importance to American business.

Trade, I agree, is a very important area, but these are areas that a true advocate for American business would be much more actively engaged in. So I would ask you to really describe to me how you can say that the Department of Commerce is a business advocate, when it is not willing to take on these really gut issues that are of terrific importance to American businesspeople.

Mr. BROWN. Mr. Chairman, I would say to you respectfully that you have no way of knowing what kind of advocacy role I'm playing in that regard. That kind of advocacy takes place within the administration.

Mr. CLINGER. You've had plenty of opportunities to come before Congress and advocate for those kinds of activities.

Mr. BROWN. I certainly do, and when it is administration policy, obviously I articulate that policy.

I sit as a member of the National Economic Council. And I can assure you that in every single issue that you've mentioned, I have played a significant role and think I've had some impact.

Mr. CLINGER. I think you're losing more arguments than you're winning.

Mr. BROWN. I'm winning a lot of arguments, Mr. Chairman. Let me tell you about some of the things that happened in our own department.

You're familiar with the Bureau of Export Administration. We've still been living in a cold war era of regulation and licensing. We have freed up \$32 billion of American exports, principally in supercomputers, computers, telecommunications, electronics, by deregulating and delicensing. We've done it in cooperation with the Defense Department and the State Department and the NSA, making sure that there is interagency cooperation.

We've done the same thing in EDA, cutting down regulation, cutting down those things that slowed up the process for grant making. So we have been advocates for deregulation. We will continue to be advocates for deregulation.

But you're right, Mr. Chairman, I don't win every argument in the administration, but I think I've had significant impact.

Mr. CLINGER. Well, I think you made it very clear that you feel it's important for you to be very visible on the issue of trade. And I think you have established a role as being visible in that.

But I would suggest to you that you need to be equally as visible, that is not just within the private conferences within the administration, but very visible on this area as an advocate for these kinds of issues with regard to business.

Mr. BROWN. Could I just say that I agree with you, Mr. Chairman, that that is an important role that the Secretary of Commerce needs to play in the councils of government. I need to see myself and do see myself, I assure you, as an advocate for America's commercial interests.

Mr. CLINGER. We probably agree on one thing at least, Mr. Secretary, and that is the cost savings are not really the principal objective of what we're trying to accomplish here. You have said that we should leave well enough alone, the Appropriations Committee, the Budget Committee are doing their jobs, cutting back spending. That's really not what we're talking about here. I would hope, and would disagree with you to the extent that I think we will achieve some savings through this exercise, but that is not our principal objective. Our principal objective is to make things work better.

And I think that you would—well, let me ask you this. You have stated routinely that your department is the smallest in the Cabinet at the time. But in terms of full-time employees, it is larger than the Departments of Education, of Energy, of Housing and Urban Development, of Labor and State.

In fact, Mr. Secretary, it's larger than the Departments of Education, Labor and HUD combined. So this I think by any description, where you have 36,000 people—as I said in my opening statement before you were here, I used to work in your Department, and when I went to work in that building every morning, I went to work with more people than live in my hometown.

There were about 18,000 people there at the time. I think by any description this is a bloated bureaucracy, and I would ask you what steps are you taking to really, really reduce this?

Mr. BROWN. Let me respond in a couple of ways. I know that you worked at the Department, and worked very effectively at the Department. What I have said is not that we're the smallest department, but that we have the smallest budget of any Cabinet level department, which is an accurate statement.

I think you need to look at the functions and see what the functions are. Some of the proposals that have emerged on Capitol Hill would make the Department bigger.

It is not—that is not the sole way to judge effectiveness, even cost effectiveness. What we've done is to put a plan together that will reduce our staff by 20 percent by the year 2000 as a part of the administration's overall plan to reduce the size of government. We are on track for that.

If your question is can we do more with less, do we have to do more with less? Absolutely. Do we need to continue to reinvent ourselves? Absolutely.

That is a commitment that the administration has demonstrated from day one. Vice President Al Gore, as you know, has led that effort. We're a part of that effort. We agree with that approach.

But we don't want to throw out the baby with the bath water, Mr. Chairman. Rightsizing is one thing. Eliminating, dismantling, box shuffling, is something else.

Mr. CLINGER. I hear what you're saying, Mr. Secretary, but I would have to take issue with you that you seem to be taking the issue that not only shouldn't the Department of Commerce—should any consideration be given to changing the Department of Commerce to make it more efficient, but you have also indicated in your testimony here today that you should take under yourself a whole range of new activities.

It sounds to me, John Dingell used to do that very effectively here in the Commerce Committee, and you learned that lesson well. But do you really contend that all of these activities should be within the Department of Commerce? You create a much bigger bureaucracy.

Mr. BROWN. Let me say, Mr. Chairman, I thought that was one of the objectives of the Congress, is to do consolidation, to have fewer departments, to have fewer independent agencies.

Mr. CLINGER. But you don't want to give up anything and concentrate on the trade issue.

Mr. BROWN. One of the things that even Congressman Mica has suggested would bring some more things into the Commerce Department that are not there now. So I wasn't articulating necessarily my position but the position that many Members of Congress have stated.

Mr. CLINGER. But you're not willing to give up anything in order to achieve the core function, which is the trade function.

Mr. BROWN. Mr. Chairman, if giving them up means just moving them someplace else in the Federal Government, which makes us less effective and less efficient, someone will have to please try to help me understand how that makes government work better, how it makes us more cost effective.

What does a company do when it wants it right size, Mr. Chairman? The first thing it does is identify functions which are no longer needed. In our case, that should be functions which can be privatized, that we can get rid of, that government doesn't belong in any more. That's absolutely appropriate.

Mr. CLINGER. We look forward to your suggestions in that regard.

Mr. BROWN. Absolutely. We've made some, Mr. Chairman.

Some of them are in the testimony. We'll provide more in writing to you.

The second thing a company does is to see what functions are still important functions but there's too much fat there. How do you cut the fat? We're committed to that.

The third thing it does is to look at where additional investment might be necessary, the things are going to be most important to that company's ability to grow and prosper in the future. That's what this administration has done and that's why the analogies between the private sector and government are not appropriate.

If you're going to make that analogy, Mr. Chairman, I would respectfully suggest that you look at the whole Federal Government. How are we downsizing, how are we reorganizing? It might be in that effort some departments get bigger. Some get eliminated.

Some get smaller. But you have to look at it in the entire content—context of our effort to reinvent government.

Mr. HORN. The time of the gentleman is expired.

I now yield to the gentleman from South Carolina.

Mr. SPRATT. Mr. Secretary, you don't have much time remaining and I think it would be useful for the record if you would simply walk us through your argument that the \$7.765 billion in reputed savings is illusory.

Mr. BROWN. It is a phony number, Mr. Spratt. I don't say that disrespectfully. I believe that first of all, to simplify it, there is about—the total is about \$7 billion that is claimed in savings.

What is not included in the calculation in the baseline is, there is \$5 billion in already committed expenditures, which they just left out. So that takes the saving down to \$2 billion.

There is no money in there for the cost of terminations, the cost of transfers. That is about a \$2 billion figure. There are also miscalculations as far as overhead is concerned. We believe that we can demonstrate unequivocally, Mr. Spratt, that there will be a cost to the taxpayer of over \$2.3 billion for this so-called cost savings dismantling.

Mr. SPRATT. And that is due to termination cost, rearrangement cost?

Mr. BROWN. Yes, sir.

Mr. SPRATT. Buyouts, and what else?

Mr. BROWN. Things that were left out of the calculation altogether, which are costs that are already committed by the Congress and in addition, I would say, Mr. Spratt, would make us much less efficient.

Mr. SPRATT. A significant part of that calculus, as I understand it, comes with respect to how the ramp-up to the decennial census is treated. Explain that in more detail, please.

Mr. BROWN. Surely. As members of the committee are certainly aware, we have a decennial census. As you prepare for the census, each year, from about the midway point, there is a larger appropriation to get you ready for the year in which you actually do the count.

What Mr. Chrysler, or others, did who made the calculation, took a baseline of 1994—or 1995, and then cut that and then ran that through to the end of the century.

Well, that is absolutely illogical. We couldn't do a census based on that kind of appropriation. We couldn't have a census. That is just the kind of miscalculation that is so evident in the Chrysler bill.

Mr. SPRATT. Now, with respect to the weather service at NOAA, what does this proposal contain with regard to procuring new satellites and maintaining our surveillance on both coasts?

Mr. BROWN. Nothing. Again, the same problem. Those are commitments that the Congress has made. We know that we are modernizing the National Weather Service. That required some forward planning. Those plans are in effect. None of those costs were included in the Chrysler calculation, the cost of acquisition and operation of those new satellites, which allow us to close down weather stations, which we are in the process of doing.

I am not permitted as Secretary of Commerce to do that unless I can certify that there would be no degradation in weather reporting. I can only make that certification if I have the necessary technology, which is those satellites, the cost of which is not included in the OMB baseline in calculating the supposed or illusory savings in the Chrysler bill.

Mr. SPRATT. So are you saying in effect then, if this is implemented, there will be a degradation in weather?

Mr. BROWN. There is no question about it. Either there will be a degradation or we can't modernize the weather service, and we won't be able to close down any of the offices, or most of the offices that we have committed to closing down.

Mr. SPRATT. If you can't close them down, you are not going to save that money.

Mr. BROWN. That is absolutely true, Mr. Spratt.

Mr. SPRATT. Thank you very much, Mr. Secretary.

Mr. BROWN. Thank you, Mr. Spratt.

Mr. HORN. I now yield as a matter of personal privilege to the gentleman from Florida, Mr. Mica, the chairman of the Civil Service Subcommittee, since his bill has been mentioned several times.

Mr. MICA. Thank you, and I appreciate your recognizing that point of personal privilege.

Mr. Secretary, a couple of points. First of all, you have stated several times that you don't feel that USTR and the Trade Assistant functions are compatible. But are you aware that three former Secretaries who have held your position and two former U.S. Trade Reps have disagreed with you? In fact, they believe that these functions are, in fact, compatible.

As a matter of conversation with Carla Hills, she stated to me that the reason that the USTR is as lean as it is and only has about 150, 170 employees is because most of its functions are, in fact, now completed by the Department of Commerce.

Mr. BROWN. Well, I am certainly aware of that. I think they are wrong, Mr. Mica, and I would remind you that Ms. Franklin said, when she was here, that USTR would have to be less aggressive as a negotiator if that kind of combination was made. I don't think we want a less aggressive negotiator.

I might add, it is a lot easier to say that when you are out of office. I don't know that Ms. Hills would have liked very much working for the Secretary of Commerce. It seems to me she would much prefer to work for the President of the United States as the U.S. Trade Representative.

Mr. MICA. One of the things that concerns me is that you have stated in the past that you are interested in working with us. You stated today how much time and resources you spend working, say, with NOAA, which—there are 36,000 employees in your department; and with trade and trade administration, there is somewhere in the neighborhood of 3,000 employees.

Somehow it appears that, unless you are closely aligned with the weather department and the Census Bureau, that you can't function in a trade capacity, and to me that doesn't seem reasonable.

You have also stated today that—in fact, that there are other trade functions that should be brought in, and you testified in fact in a constructive manner before the Department of Commerce on

August 4, and you mentioned my bill, and you said other functions should be brought in that are now under the Department of Commerce, and we have tried to work with you in that regard.

One of the things that disturbs me, however—and I want to make a personal point of it—is, during the recess your agency sent out a memo, August 28, Melissa Moss Silver. In fact, I have only been in Congress 3 years, a little bit less, but this is almost unprecedented. It is a seven-page diatribe commenting against my legislation, inviting folks to a legislative budget hearing this afternoon—well, Wednesday, the 6th, this afternoon at the Department of Commerce—and then page after page, why the Mica bill is a bad idea: The Mica bill would undermine, the Mica bill would jumble, the Mica bill would do this, the Mica bill will end sliced bread as we know it.

I am a little bit concerned about your Department overstepping its bounds. In fact, I am asking, in a letter today, Chairman Clinger to look into again the extent to which these agencies use taxpayer resources in an effort to really undermine the efforts of this Congress to organize, reorganize, and complete its function, and we have been trying to work with you in a positive fashion, but this to me is not a positive or constructive manner in which to proceed.

Mr. BROWN. May I respond, Mr. Mica? As you know, you and I have talked about these issues. I have great respect and admiration for your work, particularly in the trade area. I continue to want to work constructively with you.

I hope, though, that when we disagree with certain things that you propose, that we are free to say so and to make suggestions, which I have tried to do today. I have indicated the parts of your legislation which I think are problematic. That doesn't mean that I don't have great respect for your efforts to really pull together some of the trade functions. I have said that to you personally. I continue to feel that way.

I am not familiar with the particular communication to which you make reference, but I will certainly look at it when I get back to the office, or evidently look at it right now when you bring it to me.

I might add, while you are coming, Mr. Mica, that I think that you have played a very constructive role, and frankly—

Mr. MICA. I think you have too, and I still—Mr. Chairman, I still look forward to working with the Secretary. I think he will make a great trade administrator and look forward to working with him.

Mr. BROWN. Is that a Cabinet level department, Mr. Mica?

Mr. MICA. Yes, it is. Not department, Cabinet level.

Mr. HORN. Up until January 20, 1997, you are saying, I am assuming, but I know—

Mr. MICA. I thank you, Mr. Chairman, and yield back.

Mr. HORN. I now yield 5 minutes to the gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Well, I understood that the Secretary needed to leave. I guess my concern—and I haven't looked into all of the bill, but one of the concerns I have is with what is happening with the National Weather Service part of this situation, and I haven't looked into this completely, but it seems to me that there can be

a case made where some of this weather reporting could be better done in another agency. I don't believe it is the Department of Interior. I think that is completely ridiculous.

But it seems to me that some of these functions might be better off over at the Department of Transportation, and I am going to look into more of the relationship between what is being done with aviation weather and with the National Weather Service and how this whole thing is pulling together.

I think there are probably—well, maybe you have got this all worked out and I am not up to speed on what you are doing, but I am concerned about the direction they are heading in this bill, but I am not convinced that there might not be some other solution here that might—

Mr. BROWN. I just would say, Mr. Peterson, that I appreciate and respect your concerns.

We spend a lot of time looking at these issues. We have concluded that NOAA is where it belongs, but it is a discussion worth having. It is a discussion that, as you probably know, has been had over the years. There has been a lot of discussion about, where does NOAA belong. Maybe there is no place where it fits perfectly, but we think, of all the agencies, it fits best in the Commerce Department. I would encourage you to talk to people at NOAA.

Mr. PETERSON. I think the research on that part of the function probably belongs in the Commerce Department. What I am more interested in is the day-to-day operation of the weather service and utilizing that information.

Mr. BROWN. Could I just say—

Mr. PETERSON. I have a weather station in my district that was just closed, and I have been watching this. I fly my own airplane, and I use the weather a lot. I use different—I access it different ways, and I was a little bit—understanding how this is being done, I have used the automated weather a lot and, frankly, find that almost to be better than the weather that you get from observers, although it has its limitations.

But my concern is that we are—we have got this scattered in two or three different agencies, and I am not so sure that if it wasn't in one place we might not be able to do a better job with the weather that we use on a day-to-day basis, and that is the part of it—

Mr. BROWN. I think that is a good point, and, as an aviator, I certainly respect your view. But let me just assure you, Mr. Peterson, that the FAA radars are joint. It is FAA, DOD, and National Weather Service. So there is full coordination of that operation, which I think is the most important thing that you would be concerned about.

But those are discussions we would be glad to have with you to give you further reassurance, Mr. Peterson.

Mr. PETERSON. Well, we will send you over some written questions. I won't take any more of your time now, but I think I have got some observations—

Mr. BROWN. We will respond promptly.

Mr. HORN. I now yield 5 minutes to the gentleman from New Hampshire, Mr. Bass.

Mr. BASS. Thank you very much, Mr. Chairman. I was very—the Secretary is running out of time, so I will make my question extremely brief, less than a minute.

In my opening statement I mentioned that the Commerce Department's own Inspector General calls the agency a, "loose collection of more than 100 programs," and the General Accounting Office goes even further, reporting that the Department of Commerce, "faces the most complex web of divided authorities," sharing "its missions with at least 71 Federal departments, agencies, and offices."

Now, as Chairman Clinger mentioned, the effort here is not necessarily centered on saving money but making government run more effectively. I was just wondering if you could comment on that. Answer, and I will yield back.

Mr. BROWN. Yes. The period principally covered by those reports, as I recall, was prior to the Clinton administration. I think most would acknowledge that the changes that we have made have been positive changes.

If the question is, do I have a big job? I have a big job. Do I have a job that requires some management skills? Yes, I do. We are working very hard to make a big department in terms of number of people and functions work well. We think we have got that synergy going now.

My own judgment is, the best thing to be said about the Chrysler bill is, it is a solution in search of a problem. What is the problem? What is the issue? And how does a solution help make government more efficient? We would argue respectfully, Mr. Bass, that it doesn't.

Mr. BASS. Thank you, Mr. Chairman.

Mr. HORN. Mr. Scarborough, the gentleman from Florida.

Mr. SCARBOROUGH. Thank you, Mr. Chairman.

Briefly, Mr. Secretary, maybe I can help answer your question. What is the problem? According to Robert Reich, he says it is mean-spirited Republicans who will not do anything to cut corporate welfare, and yet many in the press, many in America, many in Congress, believe the Commerce Department is the last great bastion of corporate welfare.

Does Robert Reich now refer to you as a mean-spirited Republican in Cabinet meetings?

Mr. BROWN. As a matter of fact, I would ask the chairman respectfully to include in the record a joint op-ed page piece written by Robert Reich and me that speaks to this issue and the misrepresentations made about Secretary Reich's position, and with the chairman's permission I would like to have that submitted for the record.

Mr. HORN. Without objection, it is in the record.

[The Wall Street Journal article follows:]

## No 'Corporate Welfare' Allowed on Our Watch

Your May 31 article "Reich Outlines Plans of Cost-Benefit Tests for U.S. Programs" fabricated a division between us where absolutely none exists. It summarized, accurately enough, the Secretary of Labor's position (which is the position of the entire Clinton administration) that corporate subsidies without broader public benefits should be eliminated. But it then suggested, falsely, that the trade and technology programs of the Commerce Department merit the label "corporate welfare."

The administration has been and remains committed to getting rid of programs that aren't needed or don't work; this is nothing new. As we work to control the deficit, every spending item and every tax break must prove its worth. If a program or a special tax-code provision yields public benefits in excess of its costs, then it's justified; otherwise, it's not. In our complex economy, this test must be applied carefully, taking proper account of longer-term and indirect costs and benefits. But the basic principle—which we both enthusiastically endorse—is simple enough: It's wasteful to preserve inefficient programs, and equally wasteful to dismantle programs that work.

Many trade and technology programs score high marks. The Commerce Department's trade promotion effort, funded at about \$250 million a year, has helped business win export contracts worth almost \$25 billion in U.S. export content, supporting more than 300,000 American jobs, in the past two years. The network of Manufacturing Extension Centers now under construction will give smaller firms better access to technologies they need to modernize and compete.

In the current budgetary and economic environment, we must apply a clear-eyed analytical approach to spending programs and tax breaks—preserving and expanding what works, reforming or eliminating what doesn't, free of ideological blinders. Both of us—and the rest of the administration—embrace this principle, and invite others to do the same.

RONALD H. BROWN  
Secretary of Commerce  
ROBERT B. REICH  
Secretary of Labor

Washington

Mr. BROWN. No, we do not believe that the ATP program is corporate welfare. We don't believe that being strong advocates for American business and industry is corporate welfare. We think that the things that we are doing are absolutely crucial to our productivity and our competitiveness.

We don't believe that manufacturing technology centers to help America to continue to have a strong manufacturing base are corporate welfare, and we do think you have to look around the world to see what your global competitors are doing.

What are we up against in this new global economy? We are up against countries in Europe and Japan that are giving tremendous support to their private sectors. We have to be cognizant of that. We have to be cognizant of the realities of the global marketplace, and we have to adapt and react and respond to that. That is exactly what we are doing.

We want to make sure that America is No. 1 economically in the 21st century. We have got the most productive and competitive companies. We have got the most productive and competitive workers. We want to make sure it stays that way.

Mr. SCARBOROUGH. So your testimony before the committee today is that you don't consider any spending in the Department of Commerce to be classified under the term "corporate welfare"?

Mr. BROWN. I do not.

Mr. SCARBOROUGH. OK.

Second, and following up on your testimony that you just talked about, and you said earlier that you thought it was incredible that the Chrysler proposal would make the United States the only country in the world where its private sector wouldn't be represented and have its own bureaucracy, and you just—

Mr. BROWN. Not have its own bureaucracy, have a seat at the Cabinet table, were my words, Mr. Scarborough.

Mr. SCARBOROUGH. You just alluded to talking about how we need to have what Japan has and have—isn't really what America is all about is to have a free enterprise system where you don't have government management regarding situations involving United States commerce?

Mr. BROWN. Mr. Scarborough, I didn't say we ought to have what Japan has. What I said was that, as any people who look beyond the horizon, we need to be concerned about what our global competitors are doing and we need to respond. We don't need to have exactly what they have—what we need to do is to do it an American way, which is a free enterprise way.

I have already stated unequivocally that it is the private sector that has to lead, but certainly government has an important role in this new global economy.

We are not just interested in competing. We are interested in competing and winning, and I would say, Mr. Scarborough, that the record is clear on what we have done, particularly in the trade area, and I would encourage you to ask some of these CEOs of companies, large and small, whether we have really made a difference in their ability to compete and win in the global marketplace, and I think the response will be overwhelming, and we have demonstrated that.

I believe it was on the Senate side where I brought in a couple of thousand letters from CEOs of companies, large and small, talking about what they would not have been able to do but for the work of the Commerce Department.

Mr. SCARBOROUGH. Finally, the final question has to do with your testimony stating that the Chrysler proposal would not save money. Congressman Chrysler stated that CBO estimated that his proposal would save approximately \$8 billion. You come before us today saying that cutting out the Commerce Department would actually cost—or could cost American people, taxpayer dollars. Do you take issue with the CBO numbers?

Mr. BROWN. I certainly do, and I have indicated very clearly why, and we are prepared to provide documentation as to why those numbers are in error.

Mr. HORN. It has already been put in the earlier part.

Mr. SCARBOROUGH. So you would disagree with President Clinton's statement a few years ago that the CBO estimates are actually the best and most accurate estimates in Washington?

Mr. BROWN. I mean, I frankly think that that is not relevant to this discussion. What I have said is, these particular estimates are in error and that the Chrysler bill would cost the American taxpayer in excess of \$2.3 billion, contrary to what Congressman Chrysler has asserted.

Mr. SCARBOROUGH. OK. Thank you very much.

Mr. HORN. The last question from Mr. Fox, who has one question.

Mr. FOX. Thank you.

Mr. Secretary, White House Chief of Staff Leon Panetta was still a Member of Congress when he proposed consolidating the number of Cabinet agencies from 14 to 6 because he has said too many had overlapping jurisdictions.

A recent GAO report included a draft in which Commerce shares its mission with other agencies that have been discussed this morning and does not leave any one of these mission areas. Why then should we continue maintaining a separate department with no real sense of mission unique to itself?

Mr. BROWN. What that speaks to is going about executive branch reorganization in some kind of analytical, thoughtful way, not in a scattershot, piecemeal way, and, as you might know, Congressman Fox, there are some who for years have been calling for a commission, a bipartisan commission, which would come back with recommendations sent to the President that would then go to the Congress to reorganize the executive branch of government. Some have talked about it in terms of a so-called Hoover Commission, which we had after World War II.

At the end of World War II, the thought was, this is a different world, we need to look at the structure of the Federal Government. We don't object to that, and I am just speaking for myself in this regard. The administration has not reviewed those proposals, but they sure make a lot more sense than picking out a department and scattering functions around without any context, without any view of what happens to the rest of the executive branch of government and what impact it has on other programs.

So that there are many, particularly Senator Roth, for one, Senator Glenn, others have made such proposals that we ought to look at.

Mr. FOX. Chairman Clinger and Senator Roth proposed to look at the entire Federal Government to restructure the overblown bureaucracy. Would you support the chairman's efforts?

Mr. BROWN. I don't know what those efforts are. I would certainly like to look at the content of it. But if you are asking me if it makes sense to look at the structure of the entire Federal Government, obviously it does.

The end of the cold war is a historical point. The world has changed. I would suggest that we ought to look at the way the Congress is structured as well. Both the legislative and executive branches of government could use some work in getting ready for American competitiveness in the 21st century.

Mr. CLINGER. Will the gentleman yield?

Mr. FOX. I will yield.

Mr. CLINGER. I would point out, Mr. Secretary, that we have eliminated a number of committees in the Congress but we have yet to see any elimination of any part of the executive branch, so I think that there ought to be some parity here.

Mr. BROWN. I would say, not to be argumentative, Mr. Chairman, that there have been a number of changes and consolidations. You don't cut almost 300,000 Federal employees with no changes and consolidations. So I will stand by our record.

Do we need to do more? Absolutely. Do we need to continually look at how we restructure and reorganize and right-size and reinvent ourselves and save taxpayer money? Absolutely, Mr. Chairman. But there is a right and a wrong way to do it. The Chrysler approach is the wrong way to do it.

Mr. FOX. Thank you, Mr. Chairman.

Thank you, Mr. Secretary.

Mr. HORN. I leave you with one question, Mr. Secretary. Why should the taxpayers of the United States subsidize the U.S. Travel Service, and thus the travel industry in America, when we have a \$4.8 trillion national debt?

Mr. BROWN. Well, it is certainly worth having a discussion about that, Mr. Chairman. As you know, there is a White House Conference on Travel and Tourism coming up this fall. I think that is the right place to have this discussion.

I happen to believe that the travel and tourism industry is one of the most important sectors of our economy. It employs 6 million Americans. The problem is that we don't look at it as a sector, and the problem is that we just assume that everybody wants to come to America and that there is no competition out there.

Travel and tourism, some can argue, is our biggest export and helps our balance of payments more than any other industry. It is a very important industry that has been underappreciated. The total budget of USTTA is \$12 million, Mr. Chairman. That is a joke. That is much less than most States spend.

As you know, the Clinton administration has advocated elimination of USTTA. After the initial discussions, I was not in favor of that. I think the \$16 million is \$16 million well spent. But the position of the administration is to eliminate USTTA. And that is

why, in the White House Conference on Travel and Tourism, we are going to be trying to come up with ways to have a public-private partnership to try to encourage this very important segment of our economy that creates jobs for the American people.

Mr. HORN. I am a member of the Travel and Tourism Caucus of the House, and I commend what the travel agents do, but we really need to get them to work together, as you are suggesting, in a cooperative way so that they could fund some of these expenses if we are going to have representation abroad.

We don't need to have the taxpayers—and of course every group has a wonderful claim and wonderful people, and of course asking the White House Conference on that to make the decision is like asking any group that has been used to Federal subsidy to declaim it, and I have never seen one yet that is willing to do it.

Mr. BROWN. I would agree with that concern, Mr. Chairman. I would just say that I don't know that \$12 million spread over the whole travel and tourism sector of the economy is going to have much influence on where people come out as a matter of public policy.

We think it is important to listen to the private sector, to get their views, to try to figure out how we forge a stronger partnership, and that is exactly what we intend to do at the White House Conference, Mr. Chairman.

Mr. HORN. We thank you very much for coming and enjoyed your presentation. We have a few questions we will send. The main jurisdiction of the committee is on the Chrysler bill provision for the transfer operation.

Mr. BROWN. We will respond promptly to any questions. Thank you for permitting me to testify, Mr. Chairman.

Mr. HORN. The committee will now take a 5-minute recess, and then panel three will please come forward, and at the end of the 5-minute recess we will swear you in.

[Recess.]

Mr. HORN. Gentlemen, if you would stand and raise your right hand, I will swear you in.

[Witnesses sworn.]

Mr. HORN. All three witnesses affirmed.

Please be seated, and we will begin with Mr. Rodgers. Mr. Rodgers, T.J. Rodgers, is the chief executive officer of Cypress Semiconductor in San Jose, CA.

We welcome you to the committee. Under our procedures, we have 5 minutes for a summary of your statement. Your full statement is put in the record after the introduction, and all witnesses are treated that way, except Cabinet officers and Members of Congress, which we give them a little leeway, and that is so we can have more time for questions.

We have all read your statements. They are very fine statements, and they will be read in the record for the Members who are not here.

So, Dr. Rodgers, we are glad to hear from you. Please summarize your statement.

**STATEMENT OF T.J. RODGERS, CHIEF EXECUTIVE OFFICER, CYPRESS SEMICONDUCTOR, SAN JOSE, CA; ED BLACK, COMPUTER INDUSTRY ASSOCIATION, WASHINGTON, DC; AND JOE COBB, THE HERITAGE FOUNDATION, WASHINGTON, DC**

Mr. RODGERS. Thank you very much for the opportunity to testify.

I support dismantling the Commerce Department to save \$7.7 billion, \$2.2 billion of which is earmarked for technology pork barrel programs, which I will spend my time on.

Secretary of Labor Reich has piously talked about aid to dependent corporations. This CEO is here to say, cutoff corporate welfare, please. Corporate welfare does not work, for three reasons. First, to pay for it, the Clinton administration in 1992 has raised corporate taxes by 1 percentage point. For Intel, 1 percentage point is \$50 million a year, is 500 Ph.D.s not working in Silicon Valley, so the money can be spent—sent to Washington.

To pay for corporate welfare, the Clinton administration has raised individual income taxes by 8.6 percentage points. In this case, consider me. My money is invested in Silicon Valley in the true stars of the future, companies I know personally. To pay my extra taxes, I will sell my investments in Silicon Valley and send the money to Washington. I do not believe Washington invests money better than either Intel or I do when it comes to technology.

And what is most infuriating is that money taken out of the private sector is not typically used to help companies. A good example is Sematech, founded in 1987 when the Japanese attacked the semiconductor industry. The promise was, the \$500 million subsidy to the semiconductor industry would help all companies.

What happened was, Sematech did three things: Created discriminatory dues to squeeze out the small companies from the subsidies, paying—small companies having to pay 10 times higher dues than large companies. That is why there are only 14 members of Sematech out of the 200 possible companies that could have joined.

Second, Sematech gave kickback contracts to its own members for doing research and development they would have done otherwise.

Third, Sematech launched an equipment holdback program in which they put money into the equipment companies that make the machines that we use to make wafers to make the best next generation machines with multi-million-dollar contracts under the condition that those companies withhold from the market those machines only for Sematech members, a disaster for non-Sematech American companies.

You have got to ask yourself, did Sematech really need that billion dollars from the Government? I don't think so. Intel, a Sematech member, earned \$1.4 billion last quarter, enough profit in one quarter to fund Sematech for 10 years. Why is the taxpayer being asked to subsidize 12 of the most prosperous corporations in America?

But Sematech is actually a success story when compared to some of the real failures, like gallium arsenide in space. What about gallium arsenide crystals being grown in a \$100 million space shuttle flight? Gallium arsenide is a high-performance semiconductor.

The theory was plausible, perfect wafers grown in the near perfect vacuum of space to make better chips.

The unfortunate problem is, I have a Ph.D. in transistor physics, and that theory is pure bunk. The fact is, gallium arsenide wafers, the crystals are destroyed and reconstructed multiple times during their fabrication. This program was a huge waste of money to the taxpayer, to no benefit to the gallium arsenide industry.

We have made other mistakes investing in gallium arsenide as well. In 1990, Arati Prabhakar, the same one who runs NIST and makes investments today, masterminded the investments of DARPA funds into a company called Gazelle, a Silicon Valley high technology gallium arsenide company.

At that time, I was on the board of directors of Vitesse, the gallium arsenide company of southern California. While we were laying off people, trying to compete in the real world, we saw the Federal Government investing in our competitor in the north.

By the way, Gazelle is now defunct, doesn't exist anymore, and Vitesse is the largest gallium arsenide company in the world, without a penny from the Government.

There are four bad reasons consistently given for corporate welfare. One, it saves jobs. That is true. It subsidizes the savings of unproductive jobs and unproductive industries, while at the same time companies that need that incredible resource, the engineers of America, can't find enough good people.

Two, corporate welfare funds risky investments. Sure, it does, real risky investments. What we do in Silicon Valley, we need to have a high return, like inventing the microprocessor. The risky investments that are foisted off on the Government are those with high risk and low return. That is the investments that fall below the corporate cut line and warrant not being invested in.

Three, corporate welfare funds military commercial conversion. President Clinton last week gave money, in his words, \$4.3 million, so that the people who weld Bradley vehicles can now weld electric cars. That is \$4.3 million in wasted dollars in California last weekend, because, guess what? Tank companies aren't going to become good car companies.

Four, corporate welfare creates Government-industry partnership. What that means in this administration: If you support my election, I will build your data superhighway. It is a euphemism for corporate pork barrel.

To conclude, please support H.R. 1756. Cutting corporate welfare is the only thing we can do while we are cutting social programs, to be fair.

To Secretary Reich and the administration, I say, I am calling your bluff. Please take away your money where your mouth is. And to Secretary Brown: I don't want subsidies; Silicon Valley doesn't want subsidies. We are tough enough and smart enough and strong enough to compete and win on our own without any corporate welfare. Dismantle the Department of Commerce.

Thank you.

[The prepared statement of Mr. Rodgers follows:]

**"A CEO Against Corporate Welfare"**  
**Testimony of Dr. T.J. Rodgers**  
**CEO Cypress Semiconductor**  
**HR 1756: The Department of Commerce Dismantling Act**  
**The Subcommittee on Government Management, Information and Technology**  
**of the Government Reform and Oversight Committee**

**September 6, 1995**

**Abstract**

The Department of Commerce (DoC) should be dismantled. Its loose collection of pork-barrel programs for industry ("corporate welfare") does not even remotely justify its \$4-plus billion yearly cost. Vital functions, such as the Patent Office, have more suitable homes elsewhere in the government. It is unconscionable that we would even consider cutting health care and Social Security and leave alone corporate welfare. The five-year savings of \$7.7 billion generated by HR 1756 underestimates the favorable impact of dismantling the DoC by omitting the huge benefit of deficit reduction which would allow the re-investing of DoC funds back into the private economy at a higher rate of return. That extra five-year benefit would fall in the range from \$1.2 billion for general deficit reduction to as high as \$16 billion, in the case that the cut DoC funds were channeled directly into private-sector research and development.

**Introduction**

Thank you very much for the honor of testifying on this important issue. I'm a Silicon Valley entrepreneur. I was born in Oshkosh, Wisconsin, educated at Dartmouth College in physics and chemistry, and lucky enough to have picked Stanford for my PhD studies. At Stanford, I first learned about Silicon Valley and dreamed of starting a company. I founded Cypress Semiconductor in 1983. It is now a \$500-million chip company listed on the New York Stock Exchange. I am a classic Silicon Valley entrepreneur. You should know that the Federal Government, through the now-defunct Defense Advanced Research Project Agency (DARPA), paid for part of my post-graduate education. I believe in free markets, but not to the exclusion of government participation.

What do I stand for? I'm telling you this so that as I make my remarks, you judge them in light of my mindset. I'm a Republican, and purely so on economic issues. But, frankly, I'm somewhat dismayed by my party's social views. I remain a Republican because I believe that economic issues are far more fundamental to freedom than are

social issues. If you are poor, you are not free. Poor people lack freedom every day and in almost every way. On the other hand, the social restrictions the government puts on us encroach on our freedom only some of the time. Wealth is critical to freedom--and freedom, above all--is what I stand for.

### **We Must Balance the Federal Budget**

*The interest payment on the federal debt now equals the budget of the Department of Defense. Our "national VISA card" is fully charged and the payments will soon equal the entire tax collection of the United States, unless we take urgent action. Of course, before that time, we will have "solved" the problem the Argentinean way, by issuing the "new dollar" worth ten "old" dollars.*

We all know that much government spending is unproductive. I'll spare you the litany of stupid programs to prove the point, except for my favorite example: the USDA agriculture agent in Fairfield, Connecticut, who told *The Wall Street Journal* that she was looking--in an East Coast urban region--for just one corn farmer to subsidize. There is a side effect to government waste that goes beyond just wasting money. The side effect of government spending is what businesspeople would call an opportunity cost, the cost of taking money away from other productive investments. Individuals and companies are forced to compete with the Federal Government to borrow money. Since the government can print money to pay back debt, it gets the lowest rates and the most money. When companies are unable to borrow due to competition, they may lose a chance to build a factory, and that means lost jobs. When individuals cannot borrow money due to a higher bid from the government, home mortgage payments go up, making mortgage payments too high for some Americans to afford, meaning people are denied homes. When government borrowing replaces private investments by companies and by individuals, that's bad for America.

To balance the budget--and this is an extremely important point--we must cut spending, *not raise taxes*. It's absolute smoke and mirrors to say we're going to balance the budget by raising taxes. Think about it. The Clinton administration raised taxes to balance the budget. Those excess taxes come out of the economy, out of productive investment, and to the government to subsidize corn in Connecticut. It is just as bad not to raise taxes, and simply to overspend by borrowing the money--money borrowed away from productive use in the private economy, with of course, a promise never to pay it back. *This is a critical point: balancing the budget must be accomplished by cutting spending, not by raising taxes.*

### **We Must End Corporate Welfare**

Congress has a good start on a balanced budget. Social programs, medical programs, social security and defense are going to get cut, and cut hard. *Secretary of Labor*

*Robert Reich has piously challenged Congress, over what he calls "corporate welfare" and "aid to dependent corporations."*

*This CEO is here to tell you that he and the men and women of Cypress do not want or need any corporate welfare, that Silicon Valley does not want or need any corporate welfare, and that corporate America is strong enough, smart enough and tough enough to take on Japan and other national competitors and win without subsidies.*

I made a similar statement to Congress in 1993, and was amazed by the response. Let me read a paragraph from the Congressional thank you letter I received,

Dear T.J.: Thank you for coming to Washington to testify before the Subcommittee on Technology, Environment and Aviation. In all my years in Congress, I really don't recall members spontaneously applauding a witness. It is a rare day when we have a witness before us asking the government not to get involved. Yesterday was one of those days, and as you could tell, your statement was music to our ears.

Robert S. Walker  
Republican Chairman, Space, Science and Technology Committee

The Department of Commerce has only one coherent theme connecting its scattered activities: the delivery of political funds and favors to widespread constituencies. It is no accident that a political party boss was appointed to run the DoC, despite the DoC's charter which clearly calls for an engineer-businessperson as its leader. Just consider the DoC's internal agencies:

- o *Economic Development Administration*: pork for "economic development projects" for "economically distressed" communities and regions.
- o *Minority Business Development Agency*: pork for "investment in minority businesses" (some of which use a token minority CEO to access government funds).
- o *International Trade Administration*: corporate pork "to develop the export potential of U.S. firms."
- o *U.S. Travel and Tourism Administration*: Chamber of Commerce and themepark pork "to promote increased foreign tourism" (i.e., help pay for the promotional budget).

- o *Technology Administration*: corporate techno-pork that "conducts technology development and deployment programs."
- o *National Institute of Standards and Technology (NIST)*: corporate techno-pork "which assists industry in developing technology... manufacturing..."
- o *National Telecommunications and Information Administration*: more corporate techno-pork, including Vice President Gore's "Data Superhighway."

Of the \$7.7 billion in direct HR 1756 savings, \$2.2 billion--the second largest DoC budget item next to the NOAA--can be saved by cutting the various technology pork-barrel programs. I believe corporate welfare should be eliminated.

The fact is, corporate welfare simply does not work. It fails for three reasons. First, corporate welfare programs require increased spending, part of which is funded by increased taxes on companies. The Clinton administration raised the corporate tax rate by 1 percentage point. Many people might gloss over that fact: "Who cares if 'big corporations' pay an extra point in taxes?" It's not that simple. Think about Intel. One point in taxes means Intel will pay about \$50 million more dollars in taxes next year. That's equivalent to 500 PhDs who will not be working in high technology in Silicon Valley so that Al Gore can have the \$50 million for his Electronic Data Superhighway--whenever he figures out what that is. Who invests more productivity in technology, Intel CEO Andy Grove or Al Gore?

Second, increased spending for corporate welfare is also paid for by increased taxes on individuals, such as the massive 1992 Clinton tax increase of 8.6 percentage points on the personal income taxes of wealthy Americans. Who cares if the "fat cats" pay higher taxes? That tax hurts our economy and kills jobs much more effectively than any potential benefit of the corporate welfare it funds. Think about me. I am rich now, in the top tax bracket. So, I pay that extra tax which does not effect me personally because 95% of my wealth is invested. Where do I invest it? Where else--Silicon Valley. That's what I know and that's what I do. I personally evaluate companies through venture capitalists, invest in some of them, and sometimes serve on their board of directors. Consequently, I've accumulated a stock portfolio of dozens of Silicon Valley companies, real technology winners, my personal investments to build Silicon Valley. To pay my extra taxes, I will sell some of that stock, and I will send my money to Washington. The question is, is the investment that I make in technology in Silicon Valley better placed than those investments Washington will make with that extra tax money, for example, through programs in the Department of Commerce? I think that answer is obvious.

*Here is the basic point about raising taxes: taxes for corporate welfare destroy wealth because they take money away from successful corporations and individuals who are professionals at investing and move that money to Washington so that the investment can be done by government bureaucrats. The investments in technology will be made; tax rates determine only who the investor will be.*

*The third problem with corporate welfare, the most important, and certainly the most infuriating problem, is that corporate welfare typically does not help, and sometimes even hurts the companies that it is intended to help. That result is true not only in the United States, but also in Europe and even in Japan.*

#### **Sematech, A Poor Investment in Corporate Welfare**

The Clinton administration has declared Sematech to be a "triumph of industrial policy" to be replicated in other industries. I admit that Sematech is a best case for a government-run operation. It is currently well run; it supports a strategic industry (semiconductors); and the industry itself pays for about 50% of Sematech's funding. Therefore, when I tell you the story of Sematech, in the back of your mind, you should remember that this story is a best case, and most other corporate welfare stories are economically downhill from Sematech.

Sematech was founded in 1987 after the Japanese succeeded in a slashing attack on the American semiconductor industry. MITI, the Japanese Ministry of International Trade and Industry, was credited with coordinating the successful industry-government program. That media hype is totally untrue; I'll tell you more about MITI later.

Scare tactics were used to justify Sematech's funding. "If you don't fund Sematech with \$500 million, we will lose a critical industry to Japan." You can almost hear the testimony rolling out in front of Congressional committees. What else could Congress do? Sematech received \$500 million from Congress with a promise to go only once to the government trough before becoming self-sufficient. Of course, as with all government programs, that wasn't true. Sematech came back five years later for \$500 million dollars more from the Department of Defense. Sematech's charter was to help the U.S. semiconductor industry learn to manufacture chips better in order to compete with the Japanese. With \$500 million and that charter, Sematech built a massive manufacturing factory in Austin, Texas, which eventually employed almost 800 people.

*What did Sematech do with their \$500 million, after Congress turned its attention to other issues? First, they built an exclusive club, which deliberately prevented the subsidy from getting to all but a few of the approximately 200 semiconductor companies in the United States. With all that free money, can you believe that only*

*14 American semiconductor companies signed up for Sematech? That's what happened.*

But how could that possibly happen? The answer is very simple: Sematech created a discriminatory dues structure which effectively eliminated all of the small and mid-sized semiconductor companies in the U.S. The Sematech pitch to Congress was, "Come one, come all. Free taxpayers' money; everybody's eligible for 1% dues." But what really happened was hidden in the fine print, "And, by the way, you will not pay less than \$1 million or more than \$15 million in dues." Consequently, a \$3-billion semiconductor company paid \$15 million in dues on \$3 billion in sales--that's 0.5% of sales, or half the advertised rate of 1%. On the other hand, an excluded \$20-million Silicon Valley company--probably more in need of Sematech's help than the giants--would have had to pay the minimum \$1 million in dues on their sales of \$20 million, or 5% of sales. *In effect, Sematech required small American semiconductor companies to pay up to ten times more in dues than the big guys paid. Of course, the little companies could not afford it, so they didn't join Sematech. That's why only 14 big companies joined Sematech. The big animals shoved the little animals away from the pork, and enjoyed it for themselves.*

*The second problem: Sematech gave kick-back contracts to its own members. Sematech paid its own members to do the research and development that those corporations would have done anyway in order to remain competitive.* Although it looked to Congress as if \$100 million were coming from the government and \$100 million from industry, the fact is some of the money was fed back to the companies, effectively reducing their dues.

*I don't care about either of the first two problems; they're petty theft. What I care about and acted on is the third thing that Sematech did, creating what I call hold-back contracts which were designed to hurt all non-Sematech members, including U.S. semiconductor companies.* Sematech took government money, which was intended to help all of the American semiconductor industry, and used those funds to offer contracts to equipment vendors, the companies who make the machines that semiconductor companies use to make chips. For example, Sematech might go to a camera company that made one of the elaborate cameras with which we print our integrated circuits, and offer them a multi-million dollar contract to develop an advanced camera, under the condition that when that new camera was ready, it would be sold only to Sematech members for a period up to one year before it was released to the market in general--including an exclusion to American semiconductor companies that were not Sematech members. I found out about Sematech's practice when I tried to buy an advanced piece of chip-making equipment from a company called Westech in Phoenix, Arizona. Cypress engineers told me they could not get in the back room, where the new machine was--only Sematech members could. I called up Westech's president and raised hell with him, and I raised hell in the press and with

Congress. Sematech vehemently denied on multiple occasions there were any hold-back contracts.

Two years later, when Sematech was sued by Travis County, Texas for not paying its local taxes, I was invited by Travis County to participate as a witness. During the pre-trial discovery process, I said, that in order to be a good witness, I needed to review all contracts between Sematech and any semiconductor equipment manufacturers. The lawyers on the other side were fast asleep, and I ended up with a big bundle of contracts. There it was--signed by Westech President Tom Tucker and Paul Castrucci, the Chief Operating Officer of Sematech--a multi-million-dollar development contract for Westech *with a one-year hold-back provision in it.*

#### **Sematech Would Have Been Better Without Subsidies**

Sematech has since been cleaned up. My story is five years old. Bill Spencer, the new president of Sematech, and Craig Barrett, the new chairman of Sematech, are solid people. They have ended the illegal hold-back contracts. They have created a new charter, and Sematech is no longer the big manufacturing consortium, but now an information-sharing, standards-setting, and cooperation-producing group that does help our industry. *Sematech is now on the right track. But, you really have to ask yourself the question, did they ever need any of the money, the billion dollars, they got from the government? I do not believe so.*

In 1987, the year Sematech was formed, Intel made \$288 million in profits--three times the Sematech budget. And, there were 13 other partner companies. Why couldn't those 14 companies, 12 of them being billion-dollar companies, afford Sematech themselves without taxpayer subsidies? *By the way, last quarter, Intel made \$1.4 billion in profit--enough profit in a single quarter to have paid for the entire ten-year cost of Sematech. Why is the American taxpayer subsidizing Intel and other big semiconductor companies?*

Sematech over-built and over-hired because it had free government money--a classic inefficiency problem of government-funded ventures. In the future, when government funding has ended (Sematech has volunteered to go off the government dole starting in 1998) and when Sematech scales back to its smaller-scale charter, there are going to be unavoidable layoffs. Sematech would have been started more efficiently and run better if the government had never invested a nickel in it.

And remember: Sematech has the best record of any government-subsidized technology venture.

#### **Chips in Space**

Now, I will tell you a story about a real boondoggle: gallium arsenide in space. Gallium arsenide is a high-performance semiconductor that produces chips that are much

faster than silicon chips. I happen to know about gallium arsenide because I am a member of the board of directors of Vitesse Semiconductor, the largest gallium arsenide chip manufacturer in the United States. About one year ago, I read an article in *Electronic Engineering Times* in which Professor Ignatiev of the University of Houston reported on a space shuttle flight used to grow some gallium arsenide crystals in space--a \$100 million shuttle flight with one of its primary missions to grow five gallium arsenide wafers (wafers are the flat slices from a crystal--shaped like slices of bologna--on which we make chips). The rationalization for that mission is plausible to a non-technical audience: gallium arsenide crystals grown in the near-perfect vacuum of space should be perfect, and therefore make better chips. The unfortunate fact is that anybody who knows anything about gallium arsenide chips knows that the "perfect crystal" concept is a joke, because a gallium arsenide wafer has its crystal structure destroyed and rebuilt multiple times during the gallium arsenide chip-making process. Consequently, it doesn't matter if the original gallium arsenide wafer is totally perfect or just nearly totally perfect--it's all the same since the crystal is going to be destroyed and rebuilt.

Of course, the "wafers from space" were an economic disaster. The first wafers cost millions each. Three more missions were planned! And, the best projections for the future--if the process ever went to full production--was that a gallium arsenide space-wafer would cost \$10,000, as compared to a perfectly good and indistinguishable terrestrial gallium arsenide wafer which currently sells for under \$500. The space-wafer boondoggle wasted money, to the benefit of no company in the United States.

This example points up one big flaw in the Congressional technology funding process. Let's suppose you are a non-technical Congressperson and on Monday you attend a hearing in which silicon PhDs tell you what programs the government should support. On Tuesday, the biotech PhDs tell you what programs they want. And, on Wednesday, the computer PhDs tell you how much must be spent to maintain the health of our computer industry. How possibly can Congress make even close-to-reasonable decisions in that situation?

When I was in the Russian Silicon Valley, Zelenograd, 26 miles outside of Moscow, I saw the very first space-grown gallium arsenide crystals. The Russians went broke partly because their space program was much more ambitious than ours. They grew not only gallium arsenide, but indium antimonide and yttrium aluminum garnet crystals in space. I saw those crystals stacked against the wall in the corner of a small museum, with a little cardboard sign bragging about the perfection of crystals grown in space, which, of course, were never used for any practical purpose.

The chief architect of the Advanced Research Projects Agency's (ARPA's) gallium arsenide program was Arati Probhakar, who masterminded the federal government's direct investment in Gazelle, a Silicon-Valley gallium arsenide company. You can only

imagine how discouraged we were at Vitesse, the gallium arsenide company on whose board I serve, to see the federal government directly invest in our competitor, while we were having layoffs. By the way, Gazelle is now defunct, and Vitesse is a successful public company and the largest gallium arsenide manufacturer in the world--without a penny from taxpayers.

Ms. Probhakar is now head of NIST, the National Institute of Standards and Technology, one division of the Department of Commerce which passes out corporate welfare. She is smart. She is the first woman ever to get a PhD from Cal. Tech. I have nothing against her, but, based on her resume, I can tell you right now she would not qualify to be a vice president in my company. Nonetheless, in the government, she has a department working for her which has a billion-dollar technology budget. She is only 36 years old, and has never held a real job in a real company outside the government, and yet she makes massive technology decisions for a nation. In an interview in *Scientific American*, she said recently, "[There is] a culture at ARPA that celebrates taking risks very similar to the culture that is growing now at our ATP." Well, there's a big difference between real free market risk taking and Arati's risk taking at NIST. She takes her risks with *your* money, and, unlike the real world, she does not have to deal with the checks and balances of the market if she fails and wastes that money.

#### Corporate Welfare Does Not Work in Foreign Countries Either

*I often get asked the question, "How can you possibly compete against a subsidized foreign company?" And the answer is, "Very easy. It's much easier than competing against a real company that is competitive on its own without corporate subsidies."* Consider the case of the European semiconductor industry. They have a program named JESSI, their equivalent of Sematech (and often used to justify Sematech). It has showered billions of dollars on the European semiconductor industry. My company once tried to acquire a European semiconductor company that claimed it was 4% profitable. When we went over their books and stripped away the government subsidies, which we would have lost had we acquired the company, their real profitability was minus 31%. This company was deceiving itself that it was competitive because it was hooked on the heroin addiction of corporate welfare. Indeed, the entire European industry suffers similarly.

The European semiconductor industry has now slipped to manufacturing only about 5% of the world market for semiconductors. It is far behind the leaders, America and Japan. And, if the European semiconductor industry does not accelerate, it will soon be in fifth place, behind Taiwan and Korea. But, there's a worse side to the story than just wasted subsidies. When the semiconductor subsidies did not produce strong growth, the Europeans levied duties on chips imported into Europe, ostensibly to protect their fledgling industry. What they forgot was that chips are the life blood of the computer industry, the raw material of computers. The European governments had

unintentionally made the most important components of every computer more expensive for every one of their computer companies--and nearly wiped out their own computer industry. ICL, the largest computer company in England became financially distressed and was acquired by Toshiba. Nixdorf, the second largest computer company in Germany, is no longer an independent company. Bull, once the largest French computer company, was sold to Honeywell, taken over by the French government, and finally sold back to private industry in pieces.

But what about the European aviation subsidies, aren't they a success? Look at the Concorde; at 2,000 miles an hour, it makes the Boeing 737 look like a biplane. Isn't that a leapfrog success? There is a little problem if you check the cost of flights from New York to London. It costs \$4,500, one way, to fly the Concorde from New York to London in 3 1/2 hours. British Airlines also offers a subsonic coach fair of \$650, with a travel time of 7 hours. That means the extra cost for flying the Concorde is \$3,850 to save 3 1/2 hours, or over \$1,000 per hour saved. That's why the Concorde is nothing more than a technological novelty and another big loser for the European taxpayer.

If the Concorde is not a success, how about Airbus? Isn't that a real threat to Boeing? Airbus makes good airplanes, but that is not the issue. Return on government investment is the issue. It cost British and French taxpayers approximately \$26 billion to produce 40,000 jobs at Airbus. That amounts to an investment of about \$650,000 per job created, versus the American figures of \$60,000 per job created by Fortune 500 companies and \$48,000 per job created by venture capital investment. Consequently, Airbus represents another very bad deal for the European taxpayer who was forced to invest to create jobs at a cost ten times higher than those jobs created in the free market at no cost to taxpayers. And there is a huge cloud on the horizon for Airbus: sometime in the future, if conservative governments in Britain and France decide that, during hard times, they can no longer afford to subsidize Airbus, the consortium will face a severe economic collapse because it will not be able to compete in a free market on its own.

What about the Japanese government-industry programs funded by MITI? It is true that MITI's Very Large Scale Integrated Circuit (VLSI) program attacked the American semiconductor industry successfully in the 1980s. In 1982, the American semiconductor industry enjoyed a 54%-34% market share lead over the Japanese semiconductor industry. Later, in 1989, after the Japanese VLSI program had its impact, the American semiconductor industry lost market share leadership to Japan by a 35%-52% deficit.

Although the MITI VLSI program was successful at that time, the fact is that MITI has also wasted a huge amounts of money and counts many more failures than successes among its investments. For example, consider MITI's high definition television (HDTV) program. MITI invested \$1 billion to define and dominate the next-generation HDTV.

Some American executives immediately appealed to Congress to get their equivalent piece of corporate welfare. The reality: the United States won the HDTV definition race with a superior digital design funded entirely by private industry. The Japanese taxpayers (who already live in homes with half the square feet per person of the average American taxpayer) lost \$1 billion.

We continue to hear about the Shinkansen, the Japanese bullet train that travels at 180 miles per hour, while our railroads decay. The reality: the bullet train has the largest operating deficit of any railroad in the world. Meanwhile, you and I can fly the equivalent of the length of Japan in any direction in the United States for \$99. America's Reagan-deregulated airlines and unsubsidized aircraft industry are much more efficient than the Japanese bullet train and they pay taxes, rather than absorbing tax dollars.

Do you remember TRON? TRON was a Japanese fifth-generation computer which threatened to wipe out the U.S. computer industry, a threat which triggered yet another stampede of executives to Washington to cry for corporate welfare. The reality: TRON was a non-event and the U.S. computer industry remains dominant. And there is late news: Compaq Computer Corporation, a venture-funded firm in Houston, has recently made significant inroads into the Japanese personal computer market, once dominated by Nippon Electric Corporation.

The final point on Japanese corporate welfare is that even MITI's VLSI initiative has not been a permanent success. In 1992, America's semiconductor industry took back first place in semiconductor manufacturing in the world with a 42%-34% market share lead over Japan. There are two reasons for the success of America's counter-attack. The large American semiconductor companies which had suffered the brunt of the Japanese attack decided not to tolerate losing and, led by Intel, now the world's largest semiconductor company, took back some of the market share they had lost. Second, the semiconductor companies in what I call the "class of 1983" -- which includes early-1980s start-ups such as my company, Altera, LSI Logic, and Xilinx -- grew large enough to influence world market share statistics. The Sematech PR machine tried to grab credit for the American semiconductor revival, but it is hard to see how an equipment and standards-based organization influenced, for example, Intel's dominance of the computer architecture for personal computers.

*Corporate welfare does not work anywhere in the world. It does not work because it penalizes a country's winners with excess taxes in order to fund that country's losers with inefficiently run government programs. "They've got subsidies; we need subsidies," is exactly wrong. America will be much more competitive on a relative basis if we allow the nations with whom we compete to squander their taxpayers' money, while we encourage our companies to win without subsidies. It's like the Olympics: there comes the day when an athlete must walk alone into the arena of*

*competition. The government cannot lift the weights and run the miles that are required to be a champion --only an individual can.*

#### **Classic Bad Arguments for Corporate Welfare**

**Bad argument #1.** Corporate welfare saves jobs. People are the most valuable asset of any company. What would Saddam Hussein do if he ever captured a Cypress Semiconductor plant? Nothing, because he does not have the people who know what to do. The point is that people make our company's profits --not our equipment or our patents or our money. Good people are extraordinarily hard to get. *That is why it is an economic disaster for America to use taxpayer dollars to trap people by "saving" dead-end jobs in low-productivity companies.* For example, consider these facts: the revenue per employee per year at my company is about \$350,000. That represents how much each of our employees contribute to our sales, on the average. Some of our less efficient competitors in Silicon Valley have revenue per employee figures of only \$100,000 per year. When one of those companies has a layoff, freeing an employee to walk across the street to join us, that transaction adds \$250,000 per year to the American economy. America produces \$250,000 more in GDP that year due to that one job change. *Here is the point: when changing jobs contributes to overall American wealth, it is our moral obligation to let people quit or be laid off by corporate losers so that they can join corporate winners.*

**Bad argument #2:** Corporate welfare funds risky investments. The first fallacy of this argument is that companies do not make funding decisions based on risk alone, but on the basis of return on investment. If the project is risky, it must demonstrate superior return in order to be funded. Silicon Valley companies fund very risky programs all the time. *Those government-funded projects touted as "risky" are typically very risky projects with an ordinary rate of return --in other words, bad investments that fall below the corporate cut line for good reasons.* The operative attitude in the corporate community seems to be, "It's free money; let the government pay for it. If it works, fine." No wonder a recent New York University study found that private R&D delivered a return on investment of 27% to 60% while government R&D hovered near the 0% return mark.

**Bad argument #3:** Corporate welfare funds military-to-commercial conversion programs. I once saw an ad in the *San Jose Mercury News* in which a tank entered on the left side of the page and "morphed" into a Mercedes exiting the right side of the page. It is a nice image, but that is not going to happen in real life. Military companies have organizations optimized to make very expensive, unique, low-volume systems. The military corporate cultures will find it virtually impossible to change into the radically different companies that compete in the commercial market. How does an executive staff say to itself, "In order to be competitive, we will have to lay off 75% of the executives in our corporation"? As the defense industry winds down, its

people should be allowed to move to more productive jobs, rather than being trapped in their old companies by corporate welfare.

Bad argument #4: Corporate welfare creates a healthy government-industry partnership. What does the word "partnership" mean? It means, "If you give me free money, I will be your partner and political contributor." Or: "If you support my election, I will be your partner and pay for your Data Superhighway." *The Clinton administration is the biggest distributor of techno-pork of all time. And that was their election strategy: Don't curry favor with new bridges and roads, rather cultivate the CEOs of Silicon Valley.*

The waste inherent in corporate welfare stems from at least two generic government funding process failures. First, there is the hometown problem. For example, Senator Pete Domenici of New Mexico wants to keep open the Sandia and Los Alamos Laboratories in his home state. Let me read you some excerpts from an unsolicited letter I received in 1992 .

Dear T.J: Knowing your dislike for government intervention in the semiconductor industry, I thought I would give you a suppressed fact about semiconductor technology and the government labs.

Sandia National Laboratories in Albuquerque, New Mexico broke ground on a class one clean room facility and fully occupied it in January 1988, building 858. The plan was to bring up the facility on an SRAM [memory chip] product. As of May, 1991, they had failed to fabricate one good SRAM. They then decided to concentrate on "unit processes," reduced the production staff, and abandoned the SRAM goal so they wouldn't have to build an IC. [integrated circuit.]

During the same time frame that Cypress built an IC facility for under \$30 million and had [SRAM] parts out in 8 months, Sandia built an IC facility for over \$65 million and could not produce a single good IC after 3 1/2 years of trying. And government intervention is going to "save" the U.S. semiconductor industry?"

By the way, since nuclear weapons systems are no longer being designed and built, Sandia facility has lost its reasons for existence. The new mission of the Sandia 858 facility is to "teach the U.S. semiconductor industry how to be competitive with the Japanese[!]"

Hope you can use this fact somewhere in one of your free enterprise versus government interference talks.

Regards, John Coleman

*Lobbying is the second process problem in government technology funding. Which company is going to get the techno-pork: the Silicon Valley garage shop with world-beating technology or the aging corporate giant with a threat of layoffs and a force of 40 lobbyists?*

#### **What Should We Do?**

*Corporate welfare burdens successful companies and individuals with higher taxes and higher interest rates. And, as with social-welfare, corporate welfare often hurts the intended beneficiary. The Department of Commerce is one of the primary vehicles for corporate welfare. Please support HR 1756, "The Department of Commerce Dismantling Act." It is only fair that we cut corporate welfare along with social programs, Social Security, health care, and defense. I am calling your bluff Secretary Reich, take away your money where your mouth is.*

*And to Commerce Secretary Brown: I don't want anything from you. The men and women at Cypress don't want anything from you. Silicon Valley does not want anything from you. Please dismantle your agency for corporate welfare, the Department of Commerce, and let us in Silicon Valley be free to compete and to win.*

Mr. HORN. We thank you very much for that testimony. That is an excellent statement, and I enjoyed reading the comments you received from the Science Committee when you testified before our colleagues. So thank you very much for coming back to Washington a few years later to share some similar views.

The next witness is Mr. Ed Black, president of the Computer and Communications Industry Association. And welcome, Mr. Black, and please proceed.

Mr. BLACK. Thank you, Mr. Chairman, members of the committee. I appreciate the opportunity to testify today on this important issue.

I am very tempted to deviate from my planned statement because there are many things that my colleague said which I agree with, but a few that I seriously disagree with as well.

But let me continue. Our member companies in CCIA have many years of dealing with the Department of Commerce, and, frankly, with many Government agencies, Commerce has made many mistakes. Where the mistakes were made, we have not shied away from criticizing the Department, pointing out the need for improvement and making some of the points that Mr. Rodgers made.

But through that constructive criticism, we think Commerce has been made into a stronger department that is more useful for business as well as more effective in implementing Government policy.

For years, the business community has argued that Government needed to be a better advocate for U.S. business in the international marketplace, that it needed to encourage technologies which would keep America a step ahead of its competitors, that it bring the private sector perspective to the export licensing process, and that it help coordinate the development of the information superhighway in a way that will benefit all Americans.

Today, the Department of Commerce is doing these things and, for the most part, doing them very well. That is why, as a frequent critic of Commerce operations in the past, I find it difficult to understand the urgency or substantive need to focus on its restructuring now when it is finally performing in ways we have so long sought.

We do not come here today committed to the status quo. We are more than willing to engage in a serious discussion of ways to restructure, reorganize Government, including the Commerce Department. But if we are to foster an open, thoughtful dialog, we would like to lower the intensity of the debate and to prevent decisions from being made by factors with so much political overtone.

Any meaningful reorganization efforts must be undertaken in conjunction with a broad and thoughtful review of the interrelated programs scattered throughout government.

We strongly support the overall effort to streamline government, to eliminate duplicative and unnecessary programs, and to get control of the budget deficit and the overall debt, but we do not think it is essential to create or eliminate agencies, per se, and we do not support haphazard restructuring. There is no absolutely correct number of agencies or congressional committees. What is important is that the Nation's vital business get done and as effectively and efficiently as possible.

We are very wary of hasty decisions that could result in penny wise, pound foolish scenarios. There is no perfect way to organize government, but the structure of government does have a tremendous impact on government actions and outcomes.

One way you could organize American government is to structure it to take account of those values most important to who we are as a Nation and to make sure such considerations are kept in the forefront as important decisions are made.

So we ask, what is America about? It is about a number of core things: Freedom, security, justice, limited government, opportunity. It is also about the strength and vitality of our economy. The private sector of this country is a dynamo for the most unprecedented growth in the annals of world history.

When we go to reorganize our Government, it would be wise to ensure that each of our core values is recognized, understood, and, where possible, reflected in institutions.

When, therefore, I and others indicate our desire for a powerful Cabinet agency: competent, knowledgeable, and empathetic, if not always sympathetic to the problems faced by American business, I urge you to realize it is not just special pleading. It is a desire to have top-level entree to help prevent public sector excesses from trampling, through ignorance or by design, on those factors which enable our economic system to flourish.

Title I of this legislation is to establish a Commerce Programs Resolution Agency. For the various reasons that this testimony indicates, we think the establishment of such an agency is something we cannot support.

A quick word about export controls. Far from perfect in its operations, the Commerce Department in the export control area is not the core problem. The involvement of the Commerce Department in the process is something we believe to be absolutely essential. To propose a transfer of these functions to State and Customs, as the original Chrysler bill does, reveals either a frightening level of ignorance or a callous disregard for the legitimate concerns of industry.

There is no single aspect of the legislation which more vividly reflects its inadequacy to many members of the business community. It was a signal to many of us that the due deliberation and insightful understanding necessary when reorganizing government was lacking when this legislation was first introduced.

While more recent proposals call for consolidation of the trade functions, and Mr. Mica, I think, has made some very solid efforts, they do not yet provide for a strong Cabinet Secretary able to deal with other Secretaries as a peer on export controls. It is invaluable that there be someone at the table who appreciates the concerns and complexities of the private sector.

I would hope that this Congress, at least as much as any before it, has sufficient wariness of Federal power—and respect for the private sector—to ensure that decisions impacting our economic engine are not made in isolation. A broad-based Cabinet-level agency is thus essential.

I would point out that when we looked at the Chrysler bill—and we have looked at various proposals that have come on since—it has been a concern that someone object, well, why should some-

thing—some provision go to Customs or ITC? And the response, I am afraid, has been, well, we can put it somewhere else.

That is indicative of what we think is going about this backward, and we would like to see it looked at from an overall governmental perspective, not from, we are going to do this to this agency and we will put stuff elsewhere. Frankly, when you say—1 week you put it here, and 2 weeks later you can put it there, and 3 weeks later somewhere else, it doesn't look like a good, thoughtful process to us.

Thank you.

[The prepared statement of Mr. Black follows:]

**ED BLACK, PRESIDENT****COMPUTER AND COMMUNICATIONS INDUSTRY ASSOCIATION**

Chairman, Members of the Committee, I appreciate the opportunity to testify today on proposals to eliminate or transfer the functions and programs of the Commerce Department, and on the necessity of creating a Commerce Programs Resolutions Agency pursuant to Title I of H.R. 1756.

The Computer & Communications Industry Association (CCIA) is a trade association whose member companies are drawn from the many sectors of the computer and communications industry. Our members range in size from small entrepreneurial firms to many of the largest in the industry and are represented in CCIA at the CEO and senior executive level. Collectively, CCIA members generate annual revenues in excess of \$190 billion and employ well over a million people.

**OVERALL PERSPECTIVE**

CCIA is well suited to address this issue. Over the years, we and our member companies have had numerous dealings with many different parts of the Department of Commerce, and with a half-dozen Secretaries of Commerce. Certainly, as with most government agencies, Commerce has made mistakes. When mistakes were made, we have not shied away from criticizing the Department and pointing out the need for improvement. Through constructive criticism, we sought to make Commerce stronger, into a Department that is both more useful for business as well as more effective in implementing government policy.

For years, the business community has argued that government needed to be a better advocate for U.S. business in the international marketplace; that it needed to encourage technologies which would keep America a step ahead of its competitors; that it bring the private sector perspective to the export licensing process; and that it help coordinate the development of the information superhighway in a way that will benefit all Americans. Today, the Department of Commerce is doing these things and, for the most part, doing them very well. That is why, as a frequent critic of Commerce operations in the past, I find it very difficult to understand the urgency or

substantive need to focus on its restructuring now, when it is finally performing in ways we have so long sought.

We do not come here today committed to the status quo. We are more than willing to engage in a serious discussion of ways to restructure, reorganize, and improve government, including the Commerce Department. But if we are to foster an open, thoughtful dialogue, we must first lower the intensity of the debate, to prevent decisions from being principally guided by parochial political factors. Any meaningful reorganization efforts must be undertaken in conjunction with a broad and thoughtful review of the interrelated programs scattered throughout government.

We strongly support the overall effort to streamline government, to eliminate duplicative and unnecessary programs, and to get control of the budget deficit and the overall debt. But we do not think it is essential to create or eliminate agencies per se, and we do not support haphazard restructuring. There is no absolutely correct number of agencies or congressional committees. What is important is that the nation's vital business get done, and as effectively and efficiently as possible. We are very wary of hasty decisions that could result in various "penny-wise, pound-foolish" scenarios.

In many areas, government can benefit by following the example of the private sector, especially with regard to cutting costs, eliminating waste, and improving efficiency. Government can also learn the foolishness of undermining those aspects of its operations that actually work. Government and business alike need to support those factors which will lead to greater long-term effectiveness.

We believe there is substantial evidence that Commerce is working effectively and that many of its functions are essential to a constructive federal government role. Commerce's market research provided by the export promotion programs has helped thousands of small companies break into foreign markets; the expertise provided by Commerce's industry and country specialists have helped the U.S. Trade Representative negotiate complex trade agreements; and the technology programs administered by NIST are helping manufacturers develop promising new technologies. These

and other efforts of the Department of Commerce provide an invaluable service, not only to industry, but to the entire nation.

We also want to point out important distinctions between restructuring a company and restructuring our government. Downsizing and restructuring are different, and have different significance, for government and for business. It is true that both run programs and deliver products or services. But government is unique in its responsibility for making policies and decisions that affect the lives of millions of people and thus, at least in our representative democracy, has the responsibility to ensure that its citizens' various interests are taken into account. The structure of government is an important way to do so. There is no perfect way to organize government, but the structure of government does have a tremendous impact on government actions and outcomes.

One way to organize American government is to structure it to take account of those values most important to who we are as a nation and to make certain that consideration is kept in the forefront as important decisions are made. So we ask: What is America about? It's about a number of core things: freedom; security; justice; limited government; opportunity. It's also about the strength and vitality of our economy. The private sector of this country is a dynamo for growth unprecedented in the annals of world history. When we go to reorganize our government, it would be wise to ensure that each of our core values is recognized and understood, and where possible, institutionalized.

When, therefore, I and others indicate our desire for a powerful cabinet-level agency - competent, knowledgeable, and empathetic, if not always sympathetic, to the realities and problems faced by America's businesses - I urge you to realize that it is not just special pleading. It is a desire to have a top-level entity to help prevent public sector excesses from trampling, through ignorance or by design, on those factors which enable our economic system to flourish. Structuring government to ensure domestic economic health and preserve the competitiveness of American businesses are both logical and essential. Especially in a globally competitive world, the United

States must not unilaterally abandon those activities that allow the private sector to compete fairly and equitably in the world.

The legislation under discussion will affect programs which both affirmatively attempt to remove or hurdle obstacles, such as the U.S. & Foreign Commercial Service, and others where government acts with a heavy hand, such as with export controls. The placement of such programs in an agency lacking understanding of the realities of business could potentially be devastating.

Title I of this legislation establishes a Commerce Programs Resolutions Agency, designed to phase out a number of important Commerce functions as part of the elimination of the Commerce Department. Over a three-year period, this agency would oversee the elimination or transfer of the Bureau of Export Administration, the Technology Administration, the National Telecommunications & Information Administration, the International Trade Administration, the Patent and Trademark Office, and others. As our testimony indicates, our views on these programs and on the need for a cabinet-level agency for these areas, it is impossible for us to support the establishment of such an agency.

#### COMMENTS ON PROGRAMS AND AGENCIES WITHIN COMMERCE AFFECTED BY H.R. 1756

CCIA's involvement over the years has mainly been with the following organizations: the International Trade Administration (ITA) and all of its major components, the Bureau of Export Administration (BXA), the Technology Administration including the National Institute of Standards and Technology (NIST), the National Telecommunications Information Administration (NTIA), the Patent and Trademark Office (PTO), the Economics and Statistics Administration, and the Office of the Secretary.

International trade is an increasingly important aspect of our economy and needs to be an area where government functions are consolidated, not dispersed. There are significant linkages and synergies which result from the

various international trade programs when they work closely together. The idea of eliminating or splitting up many of these functions is antithetical to anyone who has worked in the international field. The U.S. & Foreign Commercial Service, the Trade Development and Export Promotion programs, the International Economic Policy and Import Administration agencies, as well as the Bureau of Export Administration, should be the core of the government's activities in this area.

For many in my industry, the international functions are especially important. But other parts of the Department also fulfill essential, and often related, functions. The Economics and Statistics Administration is a source of valuable information and analysis; the Patent and Trademark Office deals with some of the most critical, complex issues facing us as our industry grows and we create national and global information infrastructures. NTIA, NIST and the Technology Administration help industry develop technology standards and measurements, and stimulate research. While we have been wary of too great a government role in these arenas, there are important stimulative and catalytic roles which government can and should play. These agencies are among the very few places in government where an understanding of our industry and technology exists at anything but the shallowest level.

A word about export controls is essential. The way government has mishandled export controls is a national embarrassment. For a decade, one blue ribbon panel after another has shown that tens of billions of dollars in business have been lost year after year due to unnecessary export controls and a system that could not adjust to a rapidly changing world. For illustrative purposes I have attached a copy of a chart describing the current export control process. We have labeled this the "chart from hell." The chart reveals the interagency duplication, complexity, inconsistency, and contradictions which plague the current system. Though far from perfect in its operations, the Department of Commerce is not the problem. In fact, the involvement of the Commerce Department in the process is something we believe to be absolutely essential. To propose the transfer of these functions to State and Customs reveals either a frightening level of ignorance or a callous disregard for the legitimate concerns of industry. There is no single

aspect of this legislation which more vividly reflects its inadequacy. It has been a signal to many that the due deliberation and insightful understanding necessary when reorganizing government is lacking. While more recent proposals call for the consolidation of the trade functions, they do not provide for a strong cabinet Secretary able to deal with other Secretaries as a peer on export control matters, which is essential.

Finally, it is critical to stress that in the years before the current Secretary brought his uniquely assertive - and generally acknowledged effective - style to commerce, the cabinet-level Office of the Secretary had been of immense value to the business community and to the nation. Previous Secretaries have had a seat at the table when other agencies considered policies that could have a highly negative impact on the private sector. It is invaluable that there be someone "at the table" who appreciates the concerns and complexities of the private sector. I would hope that this Congress, at least as much as any before it, has sufficient wariness of federal power and respect for the private sector to ensure that decisions impacting our economic engine are not made in isolation. A broad-based cabinet-level agency is thus essential.

## CONCLUSION

Passage of this legislation in its current form is premature, and unwise. We are not committed to defending the status quo. However, while broad reorganization of government may be desirable, it should be undertaken carefully, deliberately, and in a less charged environment. Improving, streamlining, and cutting programs may all be achievable, but we must not destroy highly beneficial programs that are necessary and successful.

If in your wisdom, at the end of the day, a cabinet department is not eliminated, it is hard to imagine that there will be any outcry. Those who might be tempted to score political points will hardly be able to do so, especially when you can demonstrate the totality of the budget cuts that will have been made.

We understand the symbolic value of eliminating a cabinet agency. For those of us who believe a dramatic major cutting of government is necessary, it is easy to understand the appeal of eliminating an entire department. But in truth, the symbol is unnecessary. Whatever the debates may be on the specifics of the budget, it appears unlikely that many will fail to recognize the sweeping scope and historic nature of this Congress' federal budget cuts.

Mr. HORN. Thank you very much for your testimony.

I might note the presence of the author of that bill, Mr. Chrysler. He was with us for the first hour, had to go to another committee meeting, and we invited him to sit with us as a member of the full committee, who is the author of the bill, and, without objection, we welcome him.

Our last witness in this panel is Joe Cobb, who has very interesting testimony, as far as I am concerned. He confesses what he learned at the State government level. He is the John M. Olin senior fellow in political economy at the Heritage Foundation.

He also gives his testimony in big print, which is immensely welcome. My eyes thank you.

Mr. COBB. I worked as a staffer for several congressional committees, and I have learned a few of these tricks, as I did when I was with State government.

Thank you for inviting me to appear here today to comment on a few of the proposals in H.R. 1756 to abolish the U.S. Department of Commerce.

Let me say at the outset that the views I am expressing today are my own and not those institutionally of the Heritage Foundation.

I want to focus my remarks today on provisions in Title I of the bill, which of course is your jurisdiction, to create the Commerce Programs Resolution Agency, or CPRA. I want to express my support for the way in which Representative Chrysler's task force, which drafted the legislation, has proposed to carry out the plan of dismantling the Department of Commerce.

I believe that under our constitutional system of government there is a proper division of powers between the executive and the legislative branches of government. The function of the legislative branch is to choose the goals of government policy, to establish the framework for executing that policy, and to authorize the executive branch to do it. This is precisely how the proposed legislation would work.

The role of Congress is most obvious in Title II of the legislation which details all the programs to be terminated, and which programs are to be moved under the jurisdiction of other government agencies or established in the private sector.

The job of managing, the job of the executive branch, is quite properly delegated by the legislation in Title I, which establishes CPRA. It is designed to be a problem-solving task force that can carry out such a complex task as dismantling a large Government agency.

CPRA would be a direct continuation of the Commerce Department, not a new Federal agency, but at the same time it would be a completely new form of organization. I suggest you think about it in the same sense as a caterpillar's cocoon. The caterpillar spins its cocoon and lives in it as it grows wings and becomes a butterfly. The present Commerce Department is that caterpillar, and the end result for the American people after 3 years will be a butterfly, and, like the cocoon, CPRA will be discarded when the process is completed.

The Heritage Foundation has published a backgrounder, which I wrote, that analyzes the Commerce Department and every provi-

sion of H.R. 1756. With your permission, I will submit a copy of that for inclusion in the hearing record.

Mr. HORN. Without objection, it will be inserted in the record at this point.

[The backgrounder follows:]



# Background

No. 1049

The Heritage Foundation 214 Massachusetts Avenue N.E. Washington, D.C. 20002-4999 (202) 546-4400

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## HOW TO CLOSE DOWN THE DEPARTMENT OF COMMERCE

### INTRODUCTION

The congressional budget resolution for fiscal year 1996<sup>1</sup> calls for elimination of the U.S. Department of Commerce (DOC). With its many sweeping changes, this resolution is both symbolic of the change in philosophy of this Congress and a very practical proposal to restructure a collection of programs and agencies that have little reason to share a common organizational structure. Legislation has been introduced in both the House and Senate to dismantle the Department of Commerce,<sup>2</sup> and both the House Commerce Committee and Senate Governmental Affairs Committee have held hearings.<sup>3</sup> The congressional leadership has indicated that the FY 1996 budget reconciliation bill will include language to close down the Commerce Department.<sup>4</sup>

The idea of closing the department comes entirely from Congress. The Administration's reinventing government initiative barely touches the Department of Commerce, which indeed cannot be "reinvented." The proper course of action is to dismantle the agency, which is little more than a collection of disparate programs. The Commerce Department has 20 undersecretary and assistant secretary offices, six directors and administrators, and 263 political appointees, and shares four budgetary functions with eight other Cabinet and sub-Cabinet departments.

1 House Concurrent Resolution 67, June 29, 1995.

2 H.R. 1756, introduced by Representative Dick Chrysler (R-MI) with 60 cosponsors on June 7, 1995, and S. 929, introduced by Senator Spencer Abraham (R-MI) with 5 cosponsors on June 15, 1995. Subsequent footnote references are to sections of this legislation unless otherwise noted.

3 On July 24 and July 25-27, 1995, respectively.

4 Patrice Hill, "Commerce Fuels Discord in GOP," *The Washington Times*, July 27, 1995, p. A9.

To close the department, obsolete and outmoded programs should be terminated, and duplicative programs should be consolidated with other departments. Commercial activities should be privatized or ended—leaving private corporations to pay for their own research, advertising, and other costs of doing business.

Specifically, Congress should:

- ✓ **Close down** the Office of the Secretary and Departmental Administration.
- ✓ **Use** the staff of the Inspector General as the core for the transition work but abolish the office upon completion of this work.
- ✓ **Close** the Economic Development Administration, with outstanding loans to be collected by the Treasury Department.
- ✓ **Consolidate** the Bureau of the Census and other federal statistical agencies, including the Economics and Statistics Administration, within a single new independent agency.
- ✓ **Transfer** trade functions to the Treasury Department, including the International Trade Administration.
- ✓ **Transfer** the Bureau of Export Administration to the Defense Department.
- ✓ **Close** the domestic offices of the U.S. and Foreign Commercial Service.
- ✓ **Close down** the Minority Business Development Agency.
- ✓ **Close down** the Travel and Tourism Administration.
- ✓ **Transfer** the National Oceanic and Atmospheric Administration—the major part of the Commerce Department—to other Cabinet departments that perform similar functions and close down the NOAA Corps.
- ✓ **Establish** the National Weather Service as an independent agency, with commercial services privatized.
- ✓ **Establish** the Patent and Trademark Office as an independent corporation.
- ✓ **Close down** the Office of Technology Policy (Technology Administration).
- ✓ **Privatize** the National Technical Information Service.
- ✓ **Close down** the National Institute of Standards and Technology and transfer residual functions to the National Academy of Engineering.
- ✓ **Close down** the National Telecommunications and Information Administration and privatize electromagnetic spectrum.

A Cabinet department reporting directly to the President of the United States ought to have a clearly defined mission and not continue year after year to function simply as an organization chart, tying together a loose collection of agencies. Defenders of the Commerce Department argue that its various activities are valuable and useful, but no case has been made that these functions cannot be performed in the private sector or elsewhere in government, or that they are more valuable than the budgetary resources consumed.

Because Commerce would be the first Cabinet department in U.S. history to be dismantled, the absence of clear precedents and procedure presents a challenge for the House and Senate task forces chaired by Representative Dick Chrysler (R-MI) and Senator Spencer Abraham (R-MI). Title I of both their bills establishes a temporary Commerce Programs Resolution Agency modeled after the Resolution Trust Corporation, created by Congress to dispose of the assets of failed thrift institutions closed in the late 1980s. An administrator of this temporary agency, appointed by the President, would have broad powers to "allocate or reallocate any function" according to "a plan for winding up the affairs of the Agency" that the President must submit to Congress within six months. The agency would have three years to terminate programs, reassign civil service personnel, and dispose of surplus property.<sup>5</sup>

## THE "DEPARTMENT OF MISCELLANEOUS AFFAIRS"

According to its own Inspector General, Commerce has evolved into "a loose collection of more than 100 programs delivering services to about 1,000 customer bases."<sup>6</sup> The General Accounting Office reports the department "faces the most complex web of divided authorities" and shares "missions with at least 71 federal departments, agencies, and offices."<sup>7</sup>

Most of the department's resources have little or no relation to its purported mission: "encourag[ing], serv[ing], and promot[ing] the Nation's international trade, economic growth, and technological advancement."<sup>8</sup> For instance, nearly 60 percent of the agency's budget (about \$2 billion per year) and some 37 percent of its staff are in the National Oceanic and Atmospheric Administration (NOAA), which conducts a number of environmental programs, including weather-related activities and research programs in marine and atmospheric sciences. Meanwhile, export promotion programs are distributed among ten different federal agencies: "The U.S. Department of Agriculture, not Commerce, receives about 74 percent of total funding for these programs, although it accounts for only about 10 percent of U.S. exports."<sup>9</sup>

Not only are many of the department's other activities—especially its commercial operations—questionable as federal functions, but most badly need modernization and capital investment. Due to political and budgetary pressures, much of its capital stock is in disrepair. The GAO reports that departmental infrastructure—"federal laboratories, a fleet of ships, weather satellites and radar, information systems, and other facilities and equipment—will require investments of at least \$7.4 billion over a 15-year period."<sup>10</sup> The National Weather Service modernization program "has exceeded its expected cost and is far behind schedule. The initial cost estimate of nearly \$2 billion has risen to \$4.6 billion," and the projected completion date has slipped from 1994 to 1998.<sup>11</sup>

<sup>5</sup> Sections 105 and 106.

<sup>6</sup> U.S. General Accounting Office, Transition Series, *Commerce Issues*, GAO/OCG-93-12TR, December 1992, p. 7.

<sup>7</sup> *Ibid.*

<sup>8</sup> *The United States Government Manual 1994/95* (Washington, D.C.: Federal Register, 1994), p. 158.

<sup>9</sup> GAO, Transition Series, *Commerce Issues*, pp. 9-10.

<sup>10</sup> *Ibid.*, p.11.

The Department of Commerce cannot be "reinvented." The optimal course of action is indicated by the congressional budget resolution: The department should be dismantled. Its obsolete and outmoded programs should be terminated. Its duplicative programs should be consolidated with other departments, and its commercial activities should be privatized or closed.

The following analysis examines each organizational unit in the Commerce Department and recommends how to terminate or transfer its activities. For reference, data from the President's budget<sup>12</sup> are included in tables at the head of each section, with full-time employment levels and budget outlays in millions of dollars for fiscal years 1994 through 1997. In addition, major programs are detailed with obligated spending in millions of dollars.

#### Office of the Secretary and Departmental Administration

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$ 34	\$ 40	\$ 37	\$ 34
<b>Personnel</b>	971	953	919	920
<b>Programs</b>				
Executive direction	\$12.9	\$15.0	\$13.7	\$14.0
Department staff services	\$21.6	\$22.9	\$22.1	\$23.0

The position of Commerce Secretary was established in 1913 when Labor was separated from the original Department of Commerce and Labor, which was established in 1903. The new agency was supposed to foster modern industrial production, rather than agriculture (which already enjoyed its own Cabinet department for 41 years).

The Secretary of Commerce often is portrayed as the advocate of pro-business policies in a President's cabinet.<sup>13</sup> But public policy decisions affecting business generally are not made in the Commerce Department. Rather they come from such agencies as the President's Economic Council, the Environmental Protection Agency, the Internal Revenue Service, or the Department of the Interior. The Secretary of Commerce, in recent administrations, has served more often as an important fund-raiser for his President's election campaigns than as the architect of policies to help the nation's commerce.

#### What Congress Should Do:

The administrative and coordination functions of the Secretary of Commerce and supporting bureaus under his immediate authority should be assigned to a temporary Commerce Programs Resolution Agency, as provided in Title I of the legislation introduced by Representative Chrysler and Senator Abraham. The President would submit to Congress within six months "a plan for winding up the affairs of the Agency," and an administrator appointed by the President would have broad powers to "allocate or

11 *Ibid.*, p.14.

12 Appendix, *Budget of the United States Government, FY 1996* (Washington, D.C.: U.S. Government Printing Office, 1995), pp. 251-87.

13 Donald R. Whitnah, "Department of Commerce," in *Government Agencies: The Greenwood Encyclopedia of American Institutions* (Westport, Conn.: Greenwood Press, 1983), pp. 91-97.

reallocate any function." This temporary agency would have no more than three years to execute the legislative mandate: terminating programs, reassigning civil service personnel, and disposing of surplus property.<sup>14</sup>

#### Inspector General

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$15	\$17	\$22	\$22
<b>Personnel</b>	191	198	219	220

The Office of Inspector General was established in 1978 to provide agency-wide audits and investigations and to recommend corrections for waste, fraud, and mismanagement.

#### What Congress Should Do:

Congress should close the Office of Inspector General, although its personnel could form the core staff for the temporary Commerce Programs Resolution Agency established by the Chrysler-Abraham legislation.

#### Economic Development Administration

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$232	\$376	\$427	\$380
<b>Personnel</b>	344	350	309	300
<b>Programs</b>				
Administration	\$28	\$31	\$31	\$30
Grants	204	362	401	350

During the Johnson Administration, the Public Works and Economic Development Act of 1965 established a program of grants and other financial assistance to targeted cities and rural regions identified as "economically distressed." The Economic Development Administration (EDA) also operates the Revolving Loan Fund, lending money to state and local governments that they in turn lend to businesses. The EDA will spend roughly \$362 million in fiscal 1995 and \$401 million in fiscal 1996.<sup>15</sup>

#### What Congress Should Do:

Congress should close down the Economic Development Administration and direct the U.S. Treasury to collect all outstanding loans.<sup>16</sup> Congress approved \$408 million in EDA spending for fiscal 1995, including \$202 million for public works, \$26 million in planning grants, \$120 million for defense economic conversion, and \$45 million in economic adjustment grants.<sup>17</sup> The EDA's development functions duplicate the activi-

<sup>14</sup> Sections 105 and 106.

<sup>15</sup> Appendix, *Budget of the United States Government, FY 1996*, p. 254. These totals do not include operating expenses which amounted to \$31 million for both years.

<sup>16</sup> Section 201 repeals the Public Works and Economic Development Act of 1965 and directs the Secretary of the Treasury to collect outstanding loans; Section 212 abolishes the Economic Development Administration.

<sup>17</sup> Appendix, *Budget of the United States Government, FY 1996*, p. 254.

ties of programs within the departments of Agriculture, Defense, Interior, and Housing and Urban Development, the Appalachian Regional Commission, the Small Business Administration, and the Tennessee Valley Authority.<sup>18</sup> On these grounds alone the program should be terminated.

Throughout the EDA's history, grants have been used by Members of Congress to distribute favors to constituents by "earmarking" funding to projects, bypassing the formal hearing process. This often means EDA grants go to locations with healthy economies that do not need federal assistance. In fact, the 17 states represented by the members of the relevant House and Senate subcommittees received \$1.10 per capita in EDA grants during 1994, compared with 68 cents per capita in those states without representation, despite the fact that the average unemployment rate for the states represented was only 5.2 percent, compared with the national average of 5.4 percent that year.

The pork-barrel projects funded in the FY 1995 appropriation bill include:

- ◆ **Egegik, Alaska.** The small fishing village of Egegik, with a population of 101, rests on the western shore of Alaska. Egegik has a per capita income of nearly \$20,000 and is home to 23 families with an average family income of more than \$60,000. Yet, in 1994, EDA granted the village \$826,000 for the construction of a public dock. This is the equivalent of \$8,178 for every person in Egegik.
- ◆ **Key Biscayne, Florida.** A town of 8,854 residents, Key Biscayne is located in the middle of one of the most popular vacation spots in the country. Taking advantage of its beautiful climate and year-round influx of tourists, the local population enjoys a per capita income of more than \$37,500. Yet Key Biscayne was awarded a 1994 EDA grant of \$750,000 for the installation of a storm sewer system.
- ◆ **St. Cloud, Minnesota.** St. Cloud University was awarded \$91,512 in 1994 for the rehabilitation of its university center. According to EDA guidelines, these centers "must focus on service areas with significant economic distress."<sup>19</sup> But this area hardly qualifies as distressed; St. Cloud has an unemployment rate of 3.0 percent and an above-average per capita income. Minnesota's unemployment rate is 3.2 percent, the fourth lowest in the nation.

18 J.F. Hornbeck and Susan Cox, "Federal Economic Development Assistance: A Summary of Major Programs," Congressional Research Service, *CRS Report for Congress*, 93-32E, January 8, 1993.

19 Office of Public Affairs, Economic Development Administration, *Programs of the Economic Development Administration*, U.S. Department of Commerce, n.d., p. 6.

Almost all federal development programs, moreover, have proven to be expensive failures. Federal public works, job training, and regional development programs create few new jobs for the considerable amounts of money they cost to administer.<sup>20</sup> As a typical example, the General Accounting Office noted that no more than 35 percent of the beneficiaries of the Emergency Jobs Act of 1983 actually had been unemployed.<sup>21</sup> Another analysis suggested that only 84 previously unemployed people received jobs under the program at a cost of some \$307,000 per job. The average private-sector job costs only about \$40,000 to create.<sup>22</sup> Congress could do far more to spur economic development by closing down the EDA and using the savings to reduce the tax burden faced by private-sector employers, who are in a better position to create jobs.

The House Transportation and Infrastructure Committee, which has jurisdiction over the sections of the Commerce Department Dismantling Act that abolish EDA, voted instead on August 2 to support a measure that would preserve all of the pork barrel substance of the program.<sup>23</sup> It creates a new Undersecretary of Commerce and an Office of Economic Development to "replace" the current EDA and authorizes funding of \$340 million per year for five years. Section 605 of the legislation even contains a provision to assure that EDA's functions will survive the elimination of the Commerce Department.

The proposed substitute bill adopts the model of the Appalachian Regional Commission, established in 1965 as a temporary response to poverty in 13 states, which today continues to provide highway construction grants and other financial aid to those states and local governments. The House committee not only reauthorized the Appalachian Regional Commission for five years, it created eight additional regional commissions as independent agencies, administering grants and loans for spending on government-financed projects. Up to 45 percent of the United States would qualify for pork barrel spending based on the following eligibility criteria: per capita income of 80 percent or less of the national average; or an unemployment rate one percent above the national average for the most recent 24-month period; or sudden and severe job loss; or "a pocket of poverty."<sup>24</sup>

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- 20 See John Semmens, "Government Investments Yield Poor Results," *A Heartland Perspective*, The Heartland Institute (Chicago), October 18, 1993; U.S. General Accounting Office, "Emergency Jobs Act of 1983: Funds Spent Slowly, Few Jobs Created," Report to the Chairman, Subcommittee on Employment and Productivity, Committee on Labor and Human Resources, U.S. Senate, GAO/HRD-87-1, December 1986; Kevin G. Salwen and Paulette Thomas, "Job Programs Flunk at Training But Keep Washington at Work," *The Wall Street Journal*, December 16, 1993, p. A1; Bruce Bartlett, "How Not to Stimulate the Economy," *The Public Interest*, No. 112 (Summer 1993), pp. 99-109; Edward L. Hudgins and Ronald D. Ut, eds., *How Privatization Can Solve America's Infrastructure Crisis* (Washington, D.C.: The Heritage Foundation, 1992); Edward L. Hudgins, "Why Infrastructure Spending Won't Jump Start the Economy," Heritage Foundation *Memo to President-Elect Clinton* No. 9, January 15, 1993.
- 21 GAO, "Emergency Jobs Act of 1983: Funds Spent Slowly, Few Jobs Created."
- 22 Hudgins and Ut, *How Privatization Can Solve America's Infrastructure Crisis*, p. 6.
- 23 H.R. 2145, introduced on August 2, 1995, by Representative Wayne T. Gilchrest (R-MD) and cosponsored by the committee's chairman, Representative Bud Shuster (R-PA), and ranking minority member, Representative Norman Y. Mineta (D-CA).
- 24 Section 502. Cited from the Committee's section-by-section summary of the legislation.

This effort by the House Transportation and Infrastructure Committee is extremely ill-advised. The proposal for a group of regional commissions to hand out grants and below-cost loans will only perpetuate and expand the unsound practices of subsidizing construction projects for political gain.

#### Bureau of the Census

	1994	1995	1996	1997
Outlays (millions)	\$250	\$282	\$315	\$340
Personnel	7,401	7,383	7,653	7,900

The Bureau of the Census was established as a permanent office in 1902. In addition to conducting the decennial census as required by the U.S. Constitution, the bureau continuously gathers and tabulates a wide range of economic and demographic statistics.

#### What Congress Should Do:

Congress should transfer the U.S. Census Bureau to a new independent agency, a Bureau of National Statistics, which would house all data collection functions of the government. Former Bureau of Labor Statistics Commissioner Janet L. Norwood, in her recent *Organizing to Count: Change in the Federal Statistical System*, puts forth a practical and detailed proposal for such reorganization.<sup>25</sup> A centralized statistical agency for the United States, similar to that of Canada, also was recommended in The Heritage Foundation's *Rolling Back Government: A Budget Plan to Rebuild America*<sup>26</sup> and by the National Association of Business Economists.<sup>27</sup>

Section 207 of the Chrysler-Abraham legislation would transfer the Census Bureau to the Treasury Department, which already performs substantial data collection in administering the Internal Revenue Code and collecting customs duties. The House and Senate task forces set out to reduce the size of government, not merely to rename existing bureaucracies (although Census would remain under their bill), so they call for no new independent federal agencies. But the benefits from establishing an independent Bureau of National Statistics are substantial. One of the most important would be to take statistical functions out of politicized bureaucracies and place them in an agency with no policy functions, thereby helping to insure that data collection is not influenced by political considerations.<sup>28</sup>

25 Washington, D.C.: The Urban Institute Press, 1995. See chapter 7, "Organizing to Count: How Can We Improve the Federal Statistical System," pp. 69-87.

26 Scott A. Hodge, ed. (Washington, D.C.: The Heritage Foundation, 1995), p. 27.

27 "Economic Statistics Survey, January 1995," *NABE News*, March 1995, p. 9.

28 Both Norwood, *Organizing to Count*, and other critics attribute current problems with government statistics to "pressures placed on them by policy analysts." See Martin Flemming, "Cottage Industry of Statistics Books Plumbs the Depths and the Heights of the U.S. Statistical System," *NABE News*, July 1995, pp. 5-6.

**Economics and Statistics Administration**

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$46	\$50	\$56	\$56
<b>Personnel</b>	518	522	549	549

The Bureau of Economic Analysis was established by the Secretary of Commerce in 1953. It reports to the Undersecretary for Economic Affairs, who also oversees the Census Bureau. The two agencies together are known as the Economics and Statistics Administration, although the much larger Census Bureau is always identified separately. The agency draws upon the work of the Bureau of Labor Statistics, the Census Bureau, and other data collection sources to compile the national income and product accounts and prepare forecasts and indicators of economic activity, widely followed by the news media and economists.

**What Congress Should Do:**

Congress should incorporate the Bureau of Economic Analysis (along with the Census Bureau) within an independent Bureau of National Statistics, which would be responsible for all economic and demographic data collection and analysis for the federal government. Statistical functions of the Departments of Agriculture, Education, Energy, Health, and Labor also should be merged within the new agency.

Section 208 of the Chrysler-Abraham legislation provides for transfer of the Bureau of Economic Analysis to the Federal Reserve System, which already performs substantial data collection as part of its banking regulation and monetary policy functions. As with the Census Bureau, sponsors are reluctant to establish any new federal agencies. The independent Federal Reserve, however, should not be assigned functions by Congress only tangentially related to its central role of monetary policy and policing the nation's payments system.

**International Trade Administration**

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$234	\$240	\$266	\$275
<b>Personnel</b>	2,336	2,385	2,303	2,350
<b>Programs:</b>				
Trade development	\$60.0	\$67.6	\$53.9	\$54.0
International economic policy	20.8	27.8	25.7	26.0
Import administration	32.7	30.4	30.5	31.0
Commercial Service	137.8	158.3	169.5	180.0

The International Trade Administration (ITA) was established in 1980 by the Secretary of Commerce and also encompasses the Bureau of Export Administration. The ITA is charged with promoting U.S. exports, both through "export promotion" advocacy and diplomatic intervention by Commerce officials. It also processes petitions by U.S. industries seeking antidumping duties, countervailing duties, and other retaliatory weapons to erect trade barriers against foreign producers and products.<sup>29</sup>



The Undersecretary for International Affairs also runs numerous other programs, such as the U.S. Foreign and Commercial Service, which target a handful of industries for export development. The Undersecretary has a Deputy Undersecretary and a Director of Administration, as well as a Deputy Assistant Secretary for Planning and three other Assistant Secretaries, plus the Director General of the U.S. and Foreign Commercial Service (which has offices in 68 countries throughout the world as well as 47 district offices and 21 branch offices in the United States).

#### What Congress Should Do:

Congress should transfer all Department of Commerce trade policy and trade law enforcement activities to the Treasury Department. An Undersecretary of the Treasury for International Trade should be created to assume all functions of the present Undersecretary of Commerce for International Trade, including direction of the Import Administration, Trade Development, and the Foreign Commercial Service (see chart above). The new Treasury Undersecretary would have the same relative status within a Cabinet department, and the trade functions would complement and reinforce the Treasury Department's current role as the principal agency for international economic policy. There should be no change in the duties of the current Undersecretary of the Treasury for International Affairs.

29 See Greg Rushford, "America's 'MITI Without Brains'," *The Wall Street Journal*, February 3, 1995, p. A12.

The Secretary of the Treasury is the government's principal officer for international economic policy. The Treasury Department has exclusive jurisdiction over all U.S. international economic relations, except trade policy. Outside the United States, the Secretary of Commerce is perceived correctly as a minor Cabinet officer. The Secretary of the Treasury is responsible for U.S. currency exchange rates, U.S. policy in the International Monetary Fund and World Bank, and macroeconomic coordination among the G-7 industrialized countries. Except for the President, the Treasury Secretary has always been the chief spokesman for U.S. economic interests internationally. The more central role assumed by trade policy in the post-Cold War era requires greater coordination with other international economic functions — a magnification of influence that only a Treasury Secretary can bring to the task.

To elevate the importance of enforcing U.S. international trade agreements, a central concern of both U.S. exporters and domestic industries, the Secretary of the Treasury should be given clear authority for all international economic functions. The Treasury Department currently is responsible for all enforcement relating to matters involving taxation of transnational corporations, and this has important trade-related consequences. The Customs Service, within Treasury, is the enforcement agency for any trade regulations issued by the Commerce Department.

As international trade grows, an increasing share consists of intermediate products and semifinished goods. This raises questions concerning the correct pricing of these imports and exports, both for determining taxable U.S. income and for accurately measuring the value of trade. The growing problem of fraudulent invoicing of traded goods affects taxation, balance of payments,<sup>30</sup> and money laundering violations — all of which are Treasury Department concerns.

Section 204 of the Department of Commerce Dismantling Act, which has been considered in hearings before the House Commerce Committee and the Senate Governmental Affairs Committee, transfers all international trade functions of the Department of Commerce to the United States Trade Representative (USTR). The USTR is an extremely effective but small agency within the Executive Office of the President, with fewer than 170 employees, which conducts all trade negotiations and represents the United States in the World Trade Organization. A major reorganization of the USTR would be required to place all trade functions and more than 2,500 additional employees there. The USTR's mission would change dramatically from trade policy negotiation, closely linked to the President's economic leadership among world leaders, to enforcement of U.S. trade laws and promotion of exports. Most witnesses at the recent congressional hearings expressed concerns about this change.

The prospect of such a major change in the USTR has revived interest in a proposal introduced in previous years to create a Cabinet-level Department of International Trade. Representative John L. Mica (R-FL) has introduced legislation<sup>31</sup> to establish a U.S. Trade Administration, headed by a "U.S. Trade Representative" but actually performing the functions of a Cabinet department. The current role performed by the

<sup>30</sup> Damon Darlin, "Salad Oil, \$720," *Forbes*, August 14, 1995, p. 56.

<sup>31</sup> H.R. 2124, the Trade Reorganization Act of 1995, introduced on July 27, 1995, with 7 cosponsors.

USTR would be performed by a Deputy USTR for Negotiations within the new department. Representative Mica argues that "a new cabinet department" is not being established because the current USTR already enjoys "cabinet status." But moving the USTR out of the Executive Office of the President into a new agency, along with the corresponding demotion to "deputy" status of the actual negotiators of trade agreements, suggests the contrary.

Creating a new Cabinet-level department to replace the USTR is not only contrary to the intent of Congress in the budget resolution, but also would change completely the USTR's function in American trade policy. The President's trade negotiator has always worked directly with the highest ranking officers of other governments and has been most effective as the personal envoy of the head of state. In recent years, direct meetings between heads of state have played an increasing role in international economic relations. The Executive Office of the President requires a negotiation team like the USTR. The insulation of trade policy development from the subsequent administration of trade agreements and other political concerns gives the USTR a necessary flexibility in resolving disputes with foreign governments that is quite different from the routine administrative methods of government bureaucracies.

Any new trade agency outside the Treasury Department would fail to carry the authority that trade policy requires. It would remain a minor voice in the Cabinet. As a part of the Treasury Department, international trade issues would have the same relative status within a Cabinet department as they now enjoy, but an Undersecretary in the principal agency for international economic policy would have more influence in the Administration.

**Improve the Administration of U.S. Trade Policy.** During the Carter Administration, Congress transferred responsibility for trade policy from the Treasury Department to the new International Trade Administration in Commerce because the Secretary of the Treasury had failed to correct a number of organizational problems. Most important, the Department failed to define and delegate responsibilities for administering U.S. trade laws effectively. The Treasury Department was unenthusiastic about enforcing textile and steel quotas, to the dismay of those industries and their supporters in Congress. The 1994 GATT Uruguay Agreement on textile quotas and other non-tariff trade barriers has removed those concerns. Today, a transfer — without substantial reorganization — of the position of Undersecretary of International Trade to the Treasury Department would protect and enhance U.S. interests in international trade by preserving a clear line of authority for administering U.S. trade laws and giving it more prominent Cabinet status.

**Bureau of Export Administration**

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$34	\$42	\$47	\$47
<b>Personnel</b>	375	321	366	370

The seven-year-old Bureau of Export Administration (BXA) administers export controls and coordinates the 17-nation Committee on Multilateral Export Controls (COMCOM). The BXA's primary mission, therefore, is to safeguard the national interest by monitoring the export of potentially dangerous "dual-use" technologies.

**What Congress Should Do:**

Congress should transfer the Bureau of Export Administration to the Defense Department. Controlling the export of militarily useful commodities is a national security matter. If such technologies proliferate, the burden falls on the military to solve the problem. The Department of Defense deserves to be involved directly in the export licensing process because it is in the best position to judge the military utility of particular technologies. Putting the responsibility for export controls in the hands of the USTR or the Treasury Department implies that export controls should be treated as a trade issue, not a national security issue. It would be appropriate, however, for controversial licensing decisions to be appealed to the presidential level.

A special interagency report issued by the DOC with the Departments of Defense, Energy, and State drew attention to the duplication of export control programs by the BXA. The four-agency report concluded: "Consolidating these functions under the appropriate official will provide not only the proper oversight but also a more efficient and effective approach for tracking referred applications and examining export trends."<sup>32</sup>

The bill introduced by Senator Abraham transfers BXA functions to the Defense Department, but the version introduced in the House of Representatives by Representative Chrysler transfers export licensing to the State Department.<sup>33</sup> The legislation introduced by Representative Mica transfers all export licensing functions to the proposed new Cabinet department for trade.<sup>34</sup> Both the Chrysler and Mica proposals would introduce greater uncertainty for key U.S. export industries such as aircraft, chemicals, and computer technology. Transferring all BXA responsibilities to the Defense Department would correct the problem of administrative conflicts between agencies, but exporters will object that dual-use technology sales will still be made by other countries. New procedures for review of the Defense Department's licensing decisions at the presidential level are needed to address this concern. The USTR, as the President's trade envoy, would be able to address these problems in trade policy and work to stop foreign export sales of dual-use technology.<sup>35</sup>

<sup>32</sup> *The Federal Government's Export Licensing Process for Munitions and Dual-Use Commodities*, Special Interagency Review Conducted by the Offices of Inspector General at the U.S. Departments of Commerce, Defense, Energy, and State, September 1993, p. 3.

<sup>33</sup> Section 202 of each bill, which are otherwise identical.

<sup>34</sup> H.R. 2124, Section 222.

**Minority Business Development Agency**

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$41	\$45	\$49	\$47
<b>Personnel</b>	181	187	181	185

The Minority Business Development Agency (MBDA) was created by executive order in 1971 to help promote the development of minority-owned businesses and to show these businesses how to secure government contracts. The MBDA also provides funds for numerous Minority Business Development Centers (MBDCs) and American Indian Development Centers (IBDCs). Congress appropriated nearly \$45 million for this program in fiscal 1995.

**What Congress Should Do:**

Congress should close down the Minority Business Development Agency.<sup>36</sup> Although hundreds of millions of dollars have been spent on the MBDA since 1971, it has never been authorized formally by Congress. The MBDA's stated objective is to show businesses how to get government contracts, which is hardly the best way to encourage minority business development. Its approach merely duplicates the efforts of the failed 8(a) loan program of the Small Business Administration. Numerous reports have criticized this kind of preference program lending, finding that many of the small businesses favored by these kinds of programs are never able to stand alone without government assistance.<sup>37</sup>

In recent years, Congress has altered the MBDA's mission toward what is best described as corporate welfare, subsidizing high-technology firms and university research projects. These questionable expenditures duplicate dozens of other wasteful federal programs and seem little more than an attempt to justify the existence of an agency whose only rationale is dispensing special-interest funds.

The most effective way for Congress to help small minority-owned businesses would be to repeal labor regulations that generally frustrate small start-up firms and to amend the tax code to encourage investment in new small enterprises. In addition, minority firms serving the public sector would be helped by repeal of such discriminatory laws as the Davis-Bacon Act of 1931 and Service Contract Act of 1965. These laws raise the costs of government construction and service contracts by requiring companies that bid for such contracts to file mountains of paperwork documenting that they pay their workers above-market wages. Larger firms, which tend not to be minority-owned, have the advantage in bidding on such contracts. Repealing these laws would create a level playing field, instantly making smaller firms more competitive.

35 *The Federal Government's Export Licensing Process for Munitions and Dual-Use Commodities*, p. 3.

36 Section 212 abolishes the Minority Business Development Administration.

37 "Small Business Loans Aid Minority Whites, the Rich, a Porn Film," *The Wall Street Journal*, June 8, 1982, p. 1, and U.S. General Accounting Office, *Small Business Administration: Status, Operations, and Views on the 8(a) Procurement Program*, May 1988.

**Travel and Tourism Administration**

	1994	1995	1996	1997
<b>Outlays</b> (millions)	\$25	\$20	\$17	\$16
<b>Personnel</b>	88	97	97	100

Created in 1981, the U.S. Travel and Tourism Administration (USTTA) spends nearly \$20 million per year supposedly to promote tourism and recreational activities by conducting surveys, distributing promotional material, and running regional marketing shows. The USTTA administers the Disaster Relief Financial Assistance Program, which supports tourism for states recently hit by natural disasters. A new program is "developing a regional and global understanding within Governments on the relation between tourism and the environment."<sup>38</sup>

**What Congress Should Do:**

Congress should close down the U.S. Travel and Tourism Administration.<sup>39</sup> There is no reason for the federal government to be involved in an activity already well handled by a vast private travel and tourism industry. In 1992, over 45 million foreign travelers visited the United States. These tourists spent more than \$55 billion in this country, including \$17 billion in fares to U.S. air carriers.

Private industry thus has a significant financial interest in promoting tourism and does not need taxpayers to pay its advertising costs. The agency often works with private-sector organizations, including the Travel Industry Association of America, to organize events such as the "Discover America International Pow Wow" or the "Pow Wow Europe." There is no justification for federal involvement in such commercial promotional activities, with taxpayer funds used to pay for normal business marketing costs. Tourist promotion should be organized by private-sector interests without taxpayer assistance. The federal government does not belong in the travel industry.

**National Oceanic and Atmospheric Administration**

The \$2 billion-per-year National Oceanic and Atmospheric Administration (NOAA) was formed in 1970 to consolidate commercially oriented ocean resource activities housed in other government agencies. NOAA's non-weather-related programs include a broad range of unrelated activities, such as commercial fisheries management, endangered species protection, habitat management, and research projects.<sup>40</sup>

**What Congress Should Do:**

Congress should (1) separate the National Weather Service from the National Oceanic and Atmospheric Administration (NOAA), establishing it as an independent agency with its functions reduced to specialized data collection and emergency warning activities,<sup>41</sup> and (2) reduce by 50 percent all non-Weather Service NOAA funding

<sup>38</sup> U.S. Department of Commerce, *Annual Report FY 1992*, p. 58.

<sup>39</sup> Section 212 abolishes the U.S. Travel and Tourism Administration.

<sup>40</sup> See GAO, Transition Series, *Commerce Issues*.

<sup>41</sup> Section 211(m) transfers the National Weather Service to the Department of the Interior.

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$1,860	\$1,982	\$2,057	\$2,011
<b>Operations, Research, &amp; Facilities</b>				
Outlays (millions)	\$1,740	\$1,722	\$1,896	\$1,898
Personnel	14,456	14,220	13,724	14,000
<b>Programs:</b>				
National Ocean Service	\$169	\$192	\$199	\$200
Marine Fisheries Service	234	308	296	300
Ocean & Atmosphere Research	227	267	271	275
National Weather Service	666	683	628	650
Environmental Satellite	341	394	553	500
<b>Construction</b>				
Outlays (millions)	\$79	\$84	\$98	\$64
Personnel	34	5	5	5
<b>Ships, Aircraft, and Satellites</b>				
Outlays (millions)	\$30	\$127	\$49	\$30
Personnel	46	46	46	46
<b>Fishing Industry Subsidies</b>				
Outlays (millions)	\$9	\$27	\$38	\$12
Personnel	17	17	17	17
<b>Coastal Zone Management</b>				
Outlays (millions)	\$2	\$7	\$1	\$-2
Personnel	38	37	37	37

over five years. The National Marine Fisheries Service (NMFS) should be transferred to the current Department of Interior. Most functions of the National Ocean Service should be privatized, and the NOAA Corps and NOAA Fleet should be closed down. To accomplish this, Congress should:

- ✓ Return the functions performed by the National Marine Fisheries Service to what are now the Departments of Interior and Agriculture and the Coast Guard.<sup>42</sup>
- ✓ Impose fees on commercial and recreational fishing interests for fishing in federal waters. These fees should be sufficient to cover the costs associated with managing federal fishing stocks.
- ✓ Privatize most National Ocean Service functions.
- ✓ Terminate the NOAA Corps and NOAA Fleet.<sup>43</sup>

42 Section 211(n) transfers enforcement functions to the Department of Transportation (Coast Guard), science functions to the Department of Interior, and seafood inspection functions to the Department of Agriculture.

43 Sections 211(h) and 211(i), respectively, terminate these functions and provide for disposition of assets.

The National Oceanic and Atmospheric Administration (NOAA) consumes nearly 60 percent of the budget of the Department of Commerce and about 37 percent of its staff. NOAA oversees three significant non-Weather Service agencies: the National Marine Fisheries Service (NMFS), the National Ocean Service (NOS), and the NOAA Corps and NOAA Fleet. Many functions of these programs can be moved to other agencies, terminated, privatized, or turned over to the states.

The National Marine Fisheries Service (NMFS) is the primary agency managing marine mammal and commercial fisheries resources in federal marine waters. Savings can be achieved by transferring NMFS fisheries and protected species management activities to the Department of Interior's Fish and Wildlife Service. NMFS fisheries monitoring and enforcement activities can be transferred to the Coast Guard, which already has policing powers over federal waters. Specific fisheries management functions can be transferred to the regional councils in New England, the Pacific Northwest, and the Gulf states. Federal funding should be ended for state fisheries grants, commercial fisheries promotion and development programs, and aquaculture research. The seafood inspection program could be transferred to the FDA inspection program.

Currently, unlike commercial interests that use public lands and extract minerals, the commercial and recreational fishing industries pay nothing for the right to fish in federal waters. Because these resources are considered free, and because the industry is overcapitalized as the result of government loan and fishing vessel construction programs, the federal fishing stock is rapidly becoming depleted. Indeed, the government has paid millions in income supplements to Northeast fisherman who have seen their profits fall due to depleted stocks. It also spends millions on fisheries recovery programs, stock surveys, and hatcheries. The industry that benefits from these programs contributes nothing to their cost.

Charging commercial and recreational fishing interests a fee or requiring them to pay a royalty to the federal government would place a premium on fishing in federal waters. Such a fee system would help defray the cost of resource management and a smaller fishing fleet would reduce the stress placed on federal fishing stocks that has forced a moratorium on fishing from many ports.

The National Ocean Service (NOS) engages in such diverse activities as mapping and charting, oil spill research, coastal monitoring, and marine sanctuary management. Savings can be achieved by privatizing the agency's navigational and aeronautical charting and mapping activities currently performed by its National Geodetic Survey office.<sup>44</sup> The Geodetic Survey has its origins in the Coast and Geodetic Survey, created by President Thomas Jefferson in 1807 to chart navigational routes. There already are private companies drafting and marketing aeronautical services. Those activities that cannot be privatized should be transferred to the Coast Guard.

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<sup>44</sup> Section 211(o) transfers these functions to the Department of Interior.

In addition, all regional coastal management programs, such as the \$45 million Coastal Zone Management grant program and the \$1 million Charleston area management plan, should be terminated and continued by state authorities if they choose to do so. Marine sanctuary programs can be merged into the Department of Interior or transferred to state governments.

The NOAA Corps also has its origins in the Coast and Geodetic Survey. Today the Corps operates a fleet of 18 research vessels, as well as ten fixed-wing aircraft and four helicopters. All of these functions should be terminated. The NOAA Corps is outmoded, and its research fleet, reports the GAO, is "old and technologically obsolete." NOAA is calling for a 15-year, \$1.9 billion program to modernize and purchase 24 vessels but "has no assurance that its fleet modernization plan represents the most cost-effective means of meeting future program requirements."<sup>45</sup> Many of the Corps' charting activities are duplicated by private companies or the Coast Guard and need not be continued; its ships should be given to universities and marine research centers, and its aircraft to the Air Force. Hurricane research now can be performed entirely through satellites.

### National Weather Service

The primary function of the National Weather Service (NWS) is to issue warnings of severe weather and floods in order to minimize life and property loss. The National Environmental Satellite, Data, and Information Service—an NWS adjunct—operates the satellites producing the data the NWS uses to conduct its forecasts. The combined budgets of these programs comprise over half of NOAA's nearly \$2 billion annual budget.

#### What Congress Should Do:

Congress should reduce funding for the National Weather Service by 50 percent over three years. The Weather Service should reduce its role by specializing in data collection and emergency warning efforts. NOAA's satellite program could be merged with the redundant Air Force weather satellite program. An assessment then should be made of the possibility of privatizing polar-orbiting satellites and information distribution functions.<sup>46</sup>

Due to mismanagement and bureaucratic inefficiencies, the reputation of the National Weather Service is under fire. For example, according to the General Accounting Office, its modernization program "has exceeded its expected cost and is far behind schedule. The initial cost estimate of nearly \$2 billion has risen to \$4.6 billion," and the projected completion date has slipped from 1994 to 1998.<sup>47</sup> The only way to salvage this program is to reduce it to its core functions and introduce a significant dose of competition and private-sector capital.

45 U.S. General Accounting Office, "Research Fleet Modernization: NOAA Needs to Consider Alternatives to the Acquisition of New Vessels," GAO/RCEd-94-179, August 1994.

46 Section 211(l) provides for the privatization of the National Environmental Satellite, Data, and Information System Data Centers.

47 GAO, Transition Series, *Commerce Issues*.

Many functions of the Weather Service should be contracted out to private firms or simply transferred to the private sector. There are now approximately 300 private companies in the U.S. preparing and disseminating weather forecasts to businesses and the public on a commercial basis. According to the Commercial Weather Services Association, "private meteorologists and for-profit companies provide the public upwards of 85 percent of its weather forecasts, through television weathercasts, in newspaper weather maps, and on radio."<sup>48</sup>

The Weather Service should turn over to private firms its specialized services, such as fruit frost and agricultural forecasting, aviation forecasting, and fire weather forecasting, and privatize or close the regional climate centers that compete directly with private firms.<sup>49</sup> In addition, the Service spends about \$200 million per year in "fringe" weather operations—such as Seasonal to Interannual Climate Forecasts and Decadal to Centennial Change—which have little scientific validity and no practical value. These should be terminated.

The Service's field structure should be consolidated. The NWS has five headquarters offices, six regional offices, four national centers, and 334 field offices. This field office structure was designed when technology did not allow instant communication. Little has been done to alter this outmoded structure. Reducing these offices to no more than 25 facilities would save millions each year.

The Clinton Administration's FY 1996 budget proposes privatizing such specialized NWS services as aviation, marine, and agricultural forecasting. The Office of Management and Budget projects these measures will save \$40 million over five years. These recommendations are a small but good beginning.

#### Patent and Trademark Office

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$49	\$98	\$88	\$120
<b>Personnel</b>	4,977	5,075	5,137	5,200

The patent system was established by the first Congress "to promote the progress of the useful arts" under Article I, Section 8, of the U.S. Constitution. The registration of trademarks was first authorized in 1870. About 110,000 patents and about 69,700 trademarks were registered for fiscal 1992 alone, and 5,700 trademark registrations were renewed. A substantial portion of the annual Patent Office budget is funded by fees and other payments for publication and services by the public.

<sup>48</sup> Booz, Allen, and Hamilton, Inc., "National Weather Service: A Strategy and Rational Concept for the Future," National Oceanic and Atmospheric Administration, U.S. Department of Commerce, June 1983.

<sup>49</sup> Section 411(m)(2) specifies termination of specialized agricultural and forestry services, Marine Radiofax, and Regional Climate Centers, and authorizes the National Weather Service to "terminate any other specialized weather services not required by law to be performed."

**What Congress Should Do:**

Section 205 of the Chrysler-Abraham legislation places the Patent and Trademark Office under the jurisdiction of the Justice Department. Other alternatives also have been proposed. Representative Carlos J. Moorhead (R-CA) has introduced legislation<sup>50</sup> to establish an independent government corporation, an idea favored by the American Bar Association's Section on Patent, Trademark, and Copyright Law.<sup>51</sup> An independent corporation, as proposed by the ABA, is clearly superior because this function can be fully self-financing. Documenting the ownership of patent and trademark rights is an activity that provides specific economic value to private parties, who can enforce these rights in civil lawsuits.

**Technology Administration (Office of Technology Policy)**

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$6	\$9	\$13	\$14
<b>Personnel</b>	39	57	78	80

The Technology Administration (TA) was created in 1988 as a successor to the Office of Productivity, Technology, and Innovation. This program oversees the National Institute for Standards and Technology (NIST) and the National Technical Information Service (NTIS), which are intended to promote commercially useable technology through research grants and subsidies. The office of the Undersecretary for Technology is an example of administrative overhead that can be eliminated by dismantling the Department of Commerce. The Undersecretary for Technology exercises executive and policy direction over the National Institute of Standards and Technology and the National Technological Information Service, which is one of the largest publishing firms in the United States. The principal functions of the office, however, are to send representatives to interdepartmental meetings throughout the federal government and to supervise public relations activities, such as the Malcolm Baldrige Quality Awards.

**What Congress Should Do:**

Congress should close down the Technology Administration. The National Technical Information Service should be closed or privatized. The National Institute of Standards and Technology's Advanced Technology Program, in addition to the Manufacturing Extension Partnerships program,<sup>52</sup> also should be abolished. The technology programs represent most clearly the failed theories of government-industry "partnership," in which bureaucrats pick projects to subsidize and encourage private-sector interests to pursue government funding rather than to invest in entrepreneurial research. The House of Representatives has voted to discontinue funding for the Advanced Technology Program.<sup>53</sup>

50 H.R. 1659, introduced May 17, 1995, with one cosponsor.

51 Resolution AR301-R655-1 (1991). The ABA's Committee No. 655 has reaffirmed this support in 1995.

52 Section 212 abolishes the Manufacturing Extension and Advanced Technology Programs.

53 H.R. 2076, Title II, appropriating funds for the Department of Commerce. *Congressional Record*, July 26, 1995, p. H7733.

**National Technical Information Service**

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$2	\$6	\$2	\$-
<b>Personnel</b>	365	378	339	350

The National Technical Information Service is a publishing firm within the federal government which collects and disseminates scientific, technical, engineering, and business-related information generated by government and foreign sources. It provides databases and other computer services to private-sector and governmental clients and essentially covers its costs by setting prices for its publications and services.

**What Congress Should Do:**

Congress should privatize the National Technical Information Service. The NTIS is required by law to pay its own costs and usually does so. This Commerce Department program is essentially a publishing business which already prices its products and services to those who benefit from them. Since it has proven itself able to operate in a businesslike way on its own, it should be privatized immediately.

**National Institute of Standards and Technology**

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$167	\$466	\$740	\$1,020
<b>Scientific and Technical Research</b>				
Outlays (millions)	\$213	\$267	\$293	\$300
Personnel	1,867	2,037	2,109	2,200
<b>Industrial Technology Services</b>				
Outlays (millions)	\$93	\$181	\$360	\$562
Personnel	219	252	288	300
<b>Programs:</b>				
Advanced tech. program	\$79.5	\$597.6	\$490.0	\$500.0
Mfg. extension ptr.	35.1	92.3	146.0	150.0
<b>Construction and Intragov. Services</b>				
Outlays (millions)	\$-138.8	\$17	\$87	\$159
Personnel	1,090	1,050	900	900

Most of Commerce's recent growth in spending is due to increases in the budget for industrial policy funding of the National Institute of Standards and Technology (NIST). Overall, outlays for NIST are scheduled under current law to skyrocket from \$167 million in FY 1994 to \$466 million in FY 1995—a 180 percent increase in one year. The Clinton Administration's FY 1996 budget proposes that outlays for NIST nearly double by FY 1997, to \$1.02 billion.

NIST's primary role is to promote commercial research and development projects. It carries out this mission through research projects and grant programs such as the Advanced Technology Program (ATP) and Manufacturing Extension Partnerships

(MEPs).<sup>54</sup> In FY 1996, the Clinton Administration proposes a 622 percent increase in budget authority for ATP, when compared with 1993 levels. MEP budget authority will jump by 716 percent over the same period under the Administration proposal. NIST, once called the National Bureau of Standards, also sets industry standards for various technological goods and services.

#### What Congress Should Do:

Congress should close down the National Institute of Standards and Technology.

This means ending NIST's Advanced Technology Program and its Scientific and Technical Research and Services, in addition to halting construction of new NIST research facilities. Weights and measures and other standards can be supervised by the National Academy of Engineering.

Although the Clinton Administration and many in Congress believe industrial policy initiatives like NIST are the key to America's competitive success, the exact opposite is true. Industrial policy programs rarely encourage the development of vibrant new industries, and when they do it is usually at very high cost. More important, NIST already shows signs of becoming one of the federal government's leading high-technology pork-barrel programs, replacing highway and other infrastructure programs.

NIST should be abolished before any more harm is done to the economy and before any more taxpayer dollars are distributed wastefully to favored interest groups. Its research programs and facilities could be privatized very quickly. Robert M. White, president of the National Academy of Engineering, notes that such transformations have been proved successful even for organizations funded exclusively with federal money. White argues that privatization of federal R&D labs makes sense because, "With their new freedom to pursue research in whatever areas the market demands—rather than just fulfilling government missions—these laboratories might, if successful, spin-off companies and attract new businesses at a far greater rate than they do today. Research universities and private R&D companies with less governmental direction of their activities tend to contribute significantly to their region's economies."<sup>55</sup>

#### National Telecommunications and Information Administration

	1994	1995	1996	1997
<b>Outlays (millions)</b>	\$42	\$53	\$88	\$113
<b>Personnel</b>	243	268	267	270

The National Telecommunications and Information Administration (NTIA) jointly manages the electromagnetic spectrum with the Federal Communications Commission (FCC). The NTIA also gives Public Telecommunications Facilities Program (PTFP) grants to public television and radio organizations to help expand the audience for public programming. The newest NTIA promotional effort, the National Information Infrastructure (NII), hopes to channel funds into various "information highway" projects. Al-

54 Gilbert M. Gaul and Susan Q. Stranahan, "U.S. Program Preaches Profit Through Technology," *Philadelphia Inquirer*, July 28, 1995, p. A1.

55 Robert M. White, "A Strategy for the National Labs," *Technology Review*, February/March 1994, p. 69.

though an estimated \$70 million - \$100 million is to be spent on such projects in 1995, the Administration has set higher funding goals of \$1 billion - \$2 billion annually for future years.<sup>56</sup>

**What Congress Should Do:**

Congress should cut by 75 percent the National Telecommunications and Information Administration and transfer the remaining functions (those concerning oversight of public bands of the radio spectrum) to the Federal Communications Commission.<sup>57</sup> These functions then would be phased out with the FCC as the entire spectrum is privatized.

Efforts like the Public Telecommunications Facilities and Information Infrastructure programs are little more than high-technology pork projects. But whether it is spectrum management or public programming promotional efforts, the NTIA has little reason to be independent from the FCC. Communications policy should be embodied in one agency to minimize duplication and cut costs. Hence, all current NTIA tasks, after funding has been reduced 75 percent, should be transferred to the FCC. In addition, Congress should not allow the FCC to use the transfer of authority as an excuse to increase its budget. This should encourage the FCC to reform and simplify federal spectrum management policies, which are inefficient and discourage the advance of telecommunications competition.<sup>58</sup> Congress's goal should be to place all spectrum into private hands as rapidly as possible, abolish the FCC, and transfer responsibility under international spectrum management treaties to the State Department.

Joe Cobb  
John M. Olin Senior Fellow in Economics

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<sup>56</sup> Information Infrastructure Task Force, *The National Information Infrastructure: Agenda for Action*, 1993, p. 6.

<sup>57</sup> Section 212 abolishes the National Telecommunications and Information Administration.

<sup>58</sup> See Adam D. Thierer, "A Guide to Telecommunications Deregulation Legislation," *Heritage Foundation Issue Bulletin* No. 191, June 3, 1994, p. 20.

Mr. COBB. On page 5 of that backgrounder, I recommend that the present Office of Inspector General of the Commerce Department form the core staff of CPRA because of the unique position the experienced individuals in that office possess about the operations of the Department. In effect, they know where the skeletons are buried.

When Congress enacts the Commerce Department Dismantling Act, you will have to expect a very hostile reaction from the agency. We have been told by Secretary Brown that the administration is strongly opposed to this legislation. Certainly the current employees in the Commerce Department are strong supporters of their agency and the programs they administer. The most natural thing in the world to expect would be the reluctant cooperation of the current administration.

Therefore, setting up a Commerce Programs Resolution Agency, staffed at the top by personnel from the Inspector General's Office, with sweeping powers, is the only way to go.

Let me illustrate this opinion with a personal story. When I left the University of Chicago Graduate School of Business, my first career was in the civil service of the State of Illinois. I was the chief budget and fiscal officer of the Illinois Industrial Commission. It was a wonderful learning experience, because I learned how government agency managers can develop little tricks to get their work done in spite of the attempt by legislators to tell them how to do their jobs. I became an expert in how to manipulate the State Personnel Act and the State Purchasing Act. In spite of a very good system, I was able to get away with a lot of administrative discretion which would not have been approved if I had needed to get formal approval.

I believe that establishing CPRA with a great deal of administrative flexibility and with knowledgeable personnel from the Inspector General's Office will be essential for successfully dismantling the Commerce Department. A powerful administrator at the top will be able to stop any bureaucratic resistance from inside the organization and carry out his mission on schedule and without disruption of the legislatively mandated services to the public that Congress intends to retain.

Thank you, Mr. Chairman, for this opportunity to appear. I will be pleased to answer any questions.

[The prepared statement of Mr. Cobb follows:]

**United States House of Representatives  
Committee on Government Reform and Oversight  
Subcommittee on Government Management,  
Information and Technology**

September 6, 1995

**Remarks  
of  
Joe Cobb**

**John M. Olin Senior Fellow in Political Economy  
THE HERITAGE FOUNDATION  
Washington, DC 20002**

*Mr. Chairman and Members of the Committee:*

Thank you for inviting me to appear here today to comment on a few of the proposals in H.R. 1756, to abolish the U.S. Department of Commerce, which was introduced June 7, 1995, by Representative Dick Chrysler (R-MI) and 60 co-sponsors.

Let me say at the outset that the views I am expressing today are my own and not those institutionally of The Heritage Foundation.

I want to focus my remarks today on the provisions in Title I of the bill “to re-establish” the department as a “Commerce Programs Resolution Agency” (CPRA). I want to express my support for the way in which Representative Chrysler’s task force, which drafted the legislation, has proposed to carry out the plan of dismantling the Department of Commerce.

### ***CPRA is the Proper Division of the Task***

I believe that under our constitutional system of government, there is a proper division of powers between the Executive and Legislative Branches of government. The function of the Legislative branch is to choose the goals of government policy, to establish the framework for executing that policy, and to authorize the Executive Branch to do it.

This is precisely how the proposed legislation would work. The role of Congress is most obvious in Title II of the legislation, which details all the programs to be terminated, and which programs are to be moved under the jurisdiction of other government agencies, or established in the private sector.

The job of managing — the job of the Executive Branch — is quite properly delegated by the legislation in Title I, which establishes CPRA. It is designed to be a problem-solving task force that can carry out such a complex task as dismantling a large government agency.

### ***CPRA is Not “a New Agency”***

CPRA would be a direct continuation of the Commerce Department, not a new Federal agency. But at the same time it would be a completely new form of organization. I suggest you think about it in the same sense as a

caterpillar's cocoon. The caterpillar spins its cocoon and lives in it as it grows wings and becomes a butterfly. The present Commerce Department is that caterpillar, and the end result for the American people after three years will be a butterfly. And like the cocoon, CPRA will be discarded when the process is completed.

Depending on the exact date that CPRA takes over, which will depend on when the Act becomes law, Congress should provide that all appropriations for the Commerce Department be transferred to CPRA for the balance of that current fiscal year. And if the date is early in the fiscal year, Congress should immediately begin work on a special "Commerce Programs Recission" bill to look at the balance of the fiscal year.

How long should Congress authorize CPRA to exist? H.R. 1756 specifies two and one-half years. I believe this

is a very reasonable period of time. The Federal budget cycle takes about one and one-half years. The Congress needs eight months to adopt a new fiscal year budget, after it receives the President's request in January. The Office of Management and Budget works almost twelve months prior to that January publication, developing the budget in detail and getting information from the Department.

The full scope of relocating Commerce programs that are being moved to other agency jurisdictions, and developing the budget for them in the new agencies, will take at least that much time.

### ***The First Six Months: The Administrator***

In Section 109 of the legislation, the effective date for CPRA to take over the programs of the Commerce Department is set at six months after the date the law is

enacted. During the first six months, three important preliminary functions are mandated:

- ✓ The President must select and nominate someone to be the Administrator of CPRA, and that individual must be confirmed by the Senate.
- ✓ The President must prepare a Plan for Winding Up Affairs of the Commerce Department within the deadline of three years and submit that plan to Congress.
- ✓ And the General Accounting Office must prepare and submit to Congress its own proposals and recommendations about how to do the job most efficiently.

Notice that CPRA's Administrator is to be appointed even before CPRA itself comes into existence. This is an important detail to assure that no time is wasted in dismantling the Commerce Department. The selection of a highly qualified manager and drawing up the plan of

action has to be the first priority. And this is what the legislation provides.

I would recommend the selection of a CEO from one of America's successful large corporations who may have just announced the intention to retire. I would hope that individual would select as the Deputy Administrator an individual from the Federal Senior Executive Service with extensive experience in agency management.

The Heritage Foundation has published a **Background**, which I wrote, that analyzes the Commerce Department and every provision of H.R. 1756. With your permission, I will submit a copy of that for inclusion in the hearing record. On page 5 of that **Background**, I recommend that the present Office of Inspector General of the Commerce Department form the core staff of CPRA, because of the unique position the experienced

individuals in that office possess about the operations of the Department. In effect, they “know where the skeletons are buried.”

The Plan for Winding Up Affairs of the Commerce Department is not a trivial task. Administering a government agency, and dismantling one, is a major challenge that will require the full-time attention of an experienced professional. Selecting that individual should not be done casually. It is not a job to which the President can simply appoint his principal campaign fund-raiser, as has sometimes been the case for the job of Secretary of Commerce.

### ***Abolish Some Programs Immediately***

In Section 213 of the legislation, the programs that are to be abolished and not transferred to other jurisdictions within the government are terminated immediately. In general, the effective date for addressing every other

program within the Commerce Department is the same as the effective date that CPRA is established, which is six months after the Act becomes law.

But for programs that are to be abolished, Congress should not wait six months. That would be a time period which would just invite mischief on the part of sitting employees at Commerce, who would have no restraints. It would be only natural for them to do as much as possible during the waiting period to spend the money and advance the causes they are working for. Isn't this what happens today in every Federal agency around August and September, as the fiscal year closes?

In conclusion, Mr. Chairman, I believe the plan as set forth in H.R. 1756 to dismantle the Commerce Department is very well conceived. In particular, I think establishing CPRA with a wide latitude to do whatever is

necessary without Congressional micromanagement is a very good idea.

When Congress enacts the Commerce Department Dismantling Act, you will have to expect a very hostile reaction from the agency. We have been told by Secretary of Commerce Ron Brown that the Administration is strongly opposed to this legislation. Certainly the current employees in the Commerce Department are strong supporters of their agency and the programs they administer. The most natural thing in the world to expect would be the reluctant cooperation of the current Administration. Therefore, setting up a Commerce Programs Resolution Agency, staffed at the top by personnel from the Inspector General's office, with sweeping powers, is the only way to go.

Let me illustrate this opinion with a personal story. When I left the University of Chicago Graduate School of Business, my first career was in the civil service of the State of Illinois. I was the Chief Budget and Fiscal Officer of the Illinois Industrial Commission. It was a wonderful learning experience, because I learned how government agency managers can develop little tricks to get their work done in spite of the attempt by legislators to tell them how to do their jobs. I became an expert in how to manipulate the State Personnel Act and the State Purchasing Act. In spite of a very good system under the Illinois Bureau of the Budget, I was able to get away with a lot of administrative discretion, which would not have been approved if I had needed to get formal approval.

I believe that establishing CPRA with a great deal of administrative flexibility, and with knowledgeable personnel from the Inspector General's Office, will be

essential for successfully dismantling the Commerce Department. A powerful Administrator at the top will be able to stop any bureaucratic resistance from inside the organization and carry out his mission on schedule and without disruption of the legislatively mandated services to the public that Congress intends to retain.

Thank you, Mr. Chairman, for this opportunity to appear today. I will be pleased to answer any questions you may have.

Mr. HORN. Thank you all.

I yield 5 minutes to the distinguished chairman of the full committee, Mr. Clinger, the gentleman from Pennsylvania.

Mr. CLINGER. Well, I thank the panel for your very helpful testimony as we go about this daunting task of basically eliminating the Department of Commerce and yet also recognizing the need to continue some of the functions that are very vital.

I was talking to Mr. Black. You have indicated that you think things are working better now that we finally have gotten some focus and some discipline within the Department to do those things.

The question I asked Secretary Brown is, if you were truly an advocate for business interests you would be focusing on things like eliminating regulations, lower taxes, litigation reform, some of these areas where we have not had any action by the Department of Commerce. Would you agree with that?

Mr. BLACK. Mr. Chairman, I think that is an excellent point. It is exactly one of the reasons why, having been involved with the Commerce Department over the years, that we have both simultaneously appreciated its value and been frustrated that its value wasn't greater.

What you are arguing for is, I think, the core of what I am arguing for: that business does need a strong, effective voice at the highest levels of government.

Now, Commerce has not always met that standard as well as I would like, but I can identify for you people, general counsel level people, in every administration from Reagan, Bush, on, that I have worked with, who can give a long catalog of antitrust issues, of tax issues, of regulatory issues—where Commerce has weighed in.

I heard the Secretary. He seemed to be somewhat constrained on what he could talk about, but I know in the trade area, in the export control area, we would still be controlling 286 PC computers except that the Commerce Secretary, because he was a Cabinet-level official, was able to go into the White House and debate the issue with some folks across the river. And we would have lost a huge economic benefit for this country. And I think everyone is somewhat familiar with the 286 level computer these days.

There was a memo that was written. This was a point when 286's were made all over the world by dozens of other countries. It had been determined by a careful study to be uncontrollable; and there was still an effort to say no, that we want to control them, we don't want these exported. These were obsolete already at that point, certainly for manufacturers. People were phasing out making them. We could not export those out of this country without a license.

There was a serious attempt to stop a Commerce Department decision to decontrol. That was fought into the White House, and, frankly, it was a hard fought battle, and that was a lot of jobs and a lot of bucks, and there are other—we have seen them in the trade area, I have seen them in the antitrust, I have seen them in different areas. They are an advocate. They are not as good as I would like them to be, but that is the case, in my mind, for making a stronger, more robust department.

Mr. CLINGER. That is what I think our intent is here, is to recognize that a core activity of the Department of Commerce has to be this kind of activity. The problem is that it is a very minor part of what the Department presently does. I think there is a diffusion of resources here that really should not happen. What we are trying to do is really focus on that very core activity which is presently getting short shrift.

Dr. Rodgers, it was disturbing to me, at least, an article was in the Wall Street Journal on August 15, sort of saying that perhaps the United States-China deal was—that the Secretary, I think, has been rather boastful of in promoting United States products abroad, has really not produced the kind of results that perhaps have been vaunted in the press. He cited his experience in his testimony as a strong advocate for U.S. products abroad.

But based on your experience as a CEO of a major company involved in exports, how effective really do you think the Department of Commerce has been in opening markets, new markets, to American products?

Mr. RODGERS. We have an industry association called the SIA, which has done a little opening of markets, that has been done in the semiconductor industry. A Commerce official has never darkened my door. We are only 10 years old, and we currently export 45 percent of everything we make, with a goal to get over 50 percent in a year. So we export because people on the other side want what we make, not because the Government is forcing them to buy things they don't want.

Mr. CLINGER. So I mean, you have basically been doing this on your own. You really haven't needed the Government to be your advocate or your promoter in this regard?

Mr. RODGERS. No. You want to sell to Japan, you go to Japan, and you hire a Japanese sales manager, and you start selling, and about 8 years later it actually starts working.

Mr. CLINGER. Mr. Cobb, you indicated that the Commerce Programs Resolution Agency needs to play a strong role as we go down the road and you discussed where it should be, and how it should function.

One of the proposals under consideration—and I would stress, by the way, to Dr. Black, we are not undertaking this in a cavalier fashion. We are trying to be very responsive and very thorough in the way we look at all these issues. But in terms of that agency, we are considering having that be included under OMB's aegis. Would that be something that you think would be an appropriate place for that function to be carried out?

Mr. COBB. I have no difficulty with that proposal. Actually my operating assumption is that every Government agency is under OMB in one sense; it has to submit its budget documents to OMB; it has to get approval from OMB. I think it would be absolutely in consistency with uniting them formally by having the head be an OMB officer.

I am also aware of the proposal that is being discussed of having a Government 2000 Commission that would look at the entire structure of the Federal Government. I think that is an extremely interesting proposal. It is not contradictory or opposite to the CPRA proposal, which is actually more of a task force.

Mr. CLINGER. That is exactly our feeling about this, that we should be looking at the overall picture, but also we need to be looking at it in a microcosm as well.

Thank you very much.

Mr. HORN. Thank you very much, Mr. Chairman.

Let me just followup on one part of this dialog. Dr. Rodgers, you heard Mr. Black's comment about the advocacy role of the Secretary of Commerce in the White House when it came to giving an export clearance that was being opposed by the Department of Defense.

Now, you have got a sort of libertarian view on some of these things, I understand. What do you think of that? Is that an important role to play, or would you just abolish all export barriers to anything we want to export, whether it is—the Defense Department argument is obviously national security, and sometimes their arguments are silly, as was pointed out by Mr. Black, where everybody else has this type of computer, and what is the secret?

So what do you think of that example as a reason for keeping a strong advocate on commerce and reflecting the views of American business to at least get some American exports to overcome the balance of trade deficit?

Mr. RODGERS. Well, the general form of the argument, and I'm being respectfully facetious, is that let's have one department which spends \$4.4 billion a year to watch over another department which spends billions of dollars a year, so that the other department doesn't damage the very economy which supports both departments.

Clearly, it was wrong not to allow companies to export computers, but CEOs can come to Congress and say it's wrong. I don't believe that the benefit of that particular example which is used over and over warrants a budget that is so large year after year after year.

Mr. HORN. Would you leave that with the trade, U.S. Trade Representative, who is already in the White House, to worry about that issue?

Mrs. ROUKEMA. Sure, and if the two departments combined under the USTR, which, in my opinion, is more effective of the two, I think that advocacy would still happen and at a lot lower cost to industry and the taxpayer in general.

Mr. HORN. Mr. Black, do you want to comment on that?

Mr. BLACK. If I could please, Mr. Chairman. First of all, there are many examples, not one. It's an ongoing problem, and it's not just in the export control area. I understand the concept of—well, let's have one agency to combat another. The truth is: we have a Federal Government. We have the Treasury Department that proposes taxes. We have an EPA that proposes environmental regs. We have a Defense Department with security controls. We have a State Department with foreign policy controls. We have a government, I mean that's not going to go away.

I want somebody in that government to understand, to be empathetic with, to be able to be an advocate for interests that are affected, that are important, that are, in fact, the engine of our economy and our society. And, no, I don't think that's badly spent at all.

With regard to the technology program, which Mr. Rodgers talks about, I mean I tell you, a lot of people in my industry share his view. And I frankly have a lot of sympathy that government has no place being the dominant voice. But we're talking about, you know, hundreds of billions of dollars of industry, and the program that's there is an experimental one.

Maybe it's gotten as big as it should get, fine. Sematech, I didn't support, wasn't wild about the idea in the first place, because exactly for the reasons I thought you made, that it was going to be dominated by a few people. But that doesn't necessarily say there are not experimental things that make sense. I don't know anything more about it than I read in the paper this morning.

The Washington Post had an article on the Energy Department with a grant on ceramics, OK. Small bucks, looked like they would have done something. If you want to cut that program, cut a billion dollars out of a program, that's not a reason to reorganize government and throw many other programs into turmoil and disruption.

I say again, we do not necessarily support the Commerce Department, per se. I would love to see a more sweeping broad look at government functions overall. But when I hear statistics about 70 or 90 percent of Commerce programs that have duplicates, a lot of those duplicates I would love to get rid off. Not necessarily the Commerce part of it. There is duplication, there are complimentary programs and supplementary programs. You need to look at how they interact.

These agencies don't expand alone. Secretary Brown, I'm going on, but you talk about the Trade Policy Coordinating Committee. That was something Congress forced on the administration. And, thank God, you did. We have this stuff spreadout. But they did, they started coordinating. We've had some policies coordinated, well, for the first time in a long time. It's not gone far enough, but it is a beginning. But when you have 22 agencies of the government with a major chunk of trade that they've got to be included in that kind of group, to say you're going to have meaningful impact by saying we're just going to focus on one agency, it's not the reality of what we deal with in a complex government.

Mr. HORN. Mr. Cobb, you want to get into that dialog?

Mr. COBB. One of the greatest problems we have in a large complex government is, of course, the turf battles. The coordination process, of course, especially when it's mandated, forces the turf battle issues to go aside and for the actual mission, the purpose of what you're doing there, to be highlighted.

I think that whether the USTR, who currently is in charge of the coordinating process, or whether it would be a new trade administrator, is something that needs to be worked out. I'm strongly in favor of keeping the USTR in the Executive Office of the President and as the President's personal envoy and not commingling it with any of the trade functions. But I think that Mr. Black has made a very serious and important point there.

Dual use technologies are very worrisome, because ultimately you could end up with those in the hands of Iran and Saddam Hussein or some other lunatic. The Defense Department is naturally overprotective. It sort of goes with their uniforms.

I think that we need to have a function. I think it possibly should be centered in the President's hands to make those judgments. I don't think necessarily having our current system where the Commerce Department dithers and blames Defense whenever it can't grant a license. I think the interagency process now is really not very well structured.

Mr. HORN. I thank you very much and now yield to Mr. Chrysler, the author of the legislation before us.

Mr. CHRYSLER. Thank you, Mr. Chairman. It's good to be back.

I guess, Mr. Black, do you believe that the Secretary of Commerce or the Commerce Department supports a capital gains tax cut, a balanced budget amendment, tort reform or regulatory reform?

Mr. BLACK. Congressman, before I answer, let me say I am not here on a bipartisan approach to this, OK. I do not want to get caught up, and what I'm worried about about this legislation is that it's caught up in some partisan wranglings.

Do I believe that the Secretary of Commerce by and large is more sympathetic on tax issues, on regulatory issues, on the core concept of balanced budget and the other things you mentioned: yes, I think so. I think he hears business and I think we can have conversations with him and his people and I think they are, like I say, empathetic, not always sympathetic, but they are more able to understand and then be able to translate and rearticulate to the rest of the executive branch than anybody else.

No, we certainly don't win all the time. I mean there's an awful lot of things that we don't like the outcomes on. But it is a place of access and it has over the years gone up and down in effectiveness. Malcolm Baldrige was, I think most people thought in the trade area, exceptionally good. Others have not been so good.

Mr. CHRYSLER. Excuse me. Those are not really bipartisan issues. These are issues that the American people want their government to be doing, to get government off the backs of business, to let businesses grow, to let businesses sell their products at a competitive price, and to build good quality products. And I have heard—

Mr. BLACK. I may agree with some of those, Congressman, personally, and my association may. But I don't honestly think—the fact that this Secretary may not, or any Secretary, has been as effective as you'd like in being an advocate, isn't a case for not saying we don't want an advocate.

I mean what you're saying is what I think I feel, I want it to be a stronger, more effective one, and why I'm worried about proposals that make it a subcabinet agency. Because you can't go head to head if you're not at a Cabinet level.

Mr. CHRYSLER. I guess I look at it as, if the Department of Commerce is the voice of business, then that's the thing that it should be advocating. That's the thing that it should be supporting. That's the thing it should be lobbying Congress on or certainly doing for the American people. I haven't seen the Department of Commerce under any Secretary advocating those things, as a businessperson.

I, like Mr. Rodgers, have been out there creating jobs for years, have not called on the Department of Commerce and have been

doing business in 52 different countries around the world. But let me ask a more general question to all three of you.

Who would you suggest is the best qualified person to preside over the unraveling of the Commerce Department, a CEO of a successful corporation, a private firm specializing in organizational overhauls, or the existing Commerce Inspector General staff? Start right here at this end.

Mr. RODGERS. I think that if you can bring in a consulting firm that specializes in working with businesses, not one that specializes in working with the government, that they could walk through in an impartial way and manage the reorganization better than insiders can.

Mr. BLACK. If I had to pick among those three, I'm probably in the same camp, but I obviously think you need to create—there is no entity that exists that is fully competent to do it. You need different sets of skills. You need to understand the government and the programs and—

Mr. CHRYSLER. Do you have a fourth suggestion?

Mr. BLACK. I have not thought about it. It is a worthy subject to think about.

Mr. CHRYSLER. OK.

Mr. COBB. In my testimony I recommended that the administrator be a CEO who's possibly just retired from one of the major Fortune 500 corporations, a person who would be looking for a new career transition. The deputy administrator I recommended be a person from the senior executive service that has a lot of inside knowledge on managing Federal agencies. And I recommended that the Inspector General staff become the core staff.

You're going to need a body of people there who can actually go around and find out what the transitioning out people are doing, what problems they're trying to solve, and to actually handle all the paperwork that's going to need to be done.

Mr. CHRYSLER. Then, Mr. Cobb, you say in your testimony that Congress should not wait 6 months for the programs to be abolished. How could we have a shorter time period and could a shorter time period work?

Mr. COBB. Well, in my testimony I address the issue of the 6-month gap. You know in your bill you have the date upon which the bill passes. CPRA is created 6 months after that, but the administrator is named immediately. I think that's a very wise structuring, sir.

The selection of an administrator, you have to have a search process, a brief search process, then you have to have clearance and then Senate confirmation. Meanwhile, during that period of time, the President has to draw up a plan. The bill mandates that a plan be submitted. This is no small task, writing that plan.

I don't see any reason to create CPRA and have those people sit around for 6 months. So creating them after 6 months is the time to do that. Drawing up the plan, selecting the CEO, but those programs that need to be terminated that are called upon in Title II to be terminated should be terminated on the date the bill is enacted so that the administrators that are in charge of those programs now don't have 6 months to play games with you.

You know what happens during August and September of each year as Federal administrators try to spend out the last of their appropriations. You don't want to give the Commerce people who are in terminating functions 6 months to spend out all of their money.

Mr. CHRYSLER. They'll only have that opportunity once. Thanks.

Mr. HORN. Let me pursue that in the bill a little bit. We're talking about a transition authority specifically for Commerce in this legislation. The idea has been voiced obviously that if that is a successful way to go, cleaning up a few parts, such as Mr. Cobb has mentioned, we would have similar transition authorities for other agencies, departments that we're talking about consolidating, dismantling, rearranging, whatever word you want to use.

There's another approach to this that I mentioned earlier today, which is thinking of the Office of Management and Budget role as the coordinating device for the Office of the President to build into that and its management side the capability to undertake these types of missions. Now, that wouldn't stop one from having a Presidential appointee come in for a specific task, such as has been suggested in the legislation and such as Mr. Cobb suggests.

I agree with him completely that you ought to have somebody that's seasoned in doing this, who has done it in either government, universities, private sector, whatever, and then have that balanced with a deputy administrator that knows his or her way around the labyrinth of GSA and all other related industries and entities with whom you're going to have to work in order to be successful in this transition. So I would think that one of the questions we ought to ask ourselves is why don't we start with broadening the management role of OMB. That has never really been broadened to carry out the end that was put in all BOB, Bureau of the Budget, and have that institutional memory, therefore, be applied to a number of situations should the Congress have the guts to apply it to a number of situations.

But what's your reaction to that, as opposed to a separate authority for this particular purpose? Build that institutionally into OMB to start with and let's hope they can use it for more than one purpose.

Mr. COBB. I like the way you've discussed this in terms of going forward to abolish other Federal agencies. As you know, the Heritage Foundation in February published our own Reinventing Government book, proposing that we slim down to only five Cabinet departments, which is, of course, much more bold than anybody else is talking about. So you would definitely need to preserve the expertise as you take additional steps.

I am concerned that Congress seems to be running out of steam. I'm not trying to criticize you gentlemen here, but we started off discussions in January with four agencies, and of course, the House budget resolution did call for that. But then the Senate was only able to muster the surge to mention one agency.

If the Government 2000 Commission concept is adopted, then, of course, the task becomes a major reworking, a major rethinking of how we want the Federal Government to be organized. In that case, you definitely do need the Office of Management and Budget to encapsulate the functions. I would worry, however, that if the Government 2000 Commission idea is adopted, and at the same

time we start taking down the Commerce Department, that we might end up with the American people believing that we're only putting together a study commission to conceal the genuine non-achievement of the dismantling of an agency of government.

So I would urge that you send these things forward on parallel tracks. Create the CPRA, link it with the Office of Management and Budget, let it start its work, have the Government 2000 Commission take a comprehensive look at all of the functions of the Federal Government, and propose what might be the 10 or fewer agencies that should be organized functionally starting with the new administration in 1997. And at that point, whatever CPRA—whatever progress it has made during those 12 months will put you that much further ahead down the road.

And those same people could be—of course, most of them are Civil Service, and so they would have expectations of continuing in Federal employment if their skills are needed and valuable, and they would be. So I think that your proposal of having the OMB become the major focus and location of this skill is valuable and a good idea. But we don't need to wait for 1997 to create that organization.

Mr. HORN. Let me refine that a little further, which we'll have witnesses on the next panel that will do just that. Many of those in the National Academy of Public Administration that are experts on government have served in every administration since Roosevelt, and since one of the members who wrote the Marshal Plan is still alive in his 90's, they have come to the conclusion and I've reluctantly come to it, because I felt that I would like to see OMB work and I felt for the years with the budget authority as a former chief executive, I can assure you it will work. People pay attention to you when you have the budget authority.

What they are suggesting basically is an Office of Management and an Office of Budget, both of which report to the President and are part of the Executive Office of the President. This function on the management side would obviously correctly be part of that, where you'd have a core group that does know what they're doing, working with these different agencies.

Now, that doesn't stop having a transition authority to get, if you will, a master in bankruptcy to dispose of the assets, if you will, human and nonhuman. But it would provide some consistency, some experience as to how you get the job done. The first one will be painful. The second one will be less painful. We will know more. So I wonder what you think of that refinement, of two separate offices with the White House Executive Office of the President coordinating the effort if it came to an argument over budget versus management.

Mr. COBB. I would worry about span of control. I would worry about having the managers be too distant from the actual daily functions. That would be something that, of course they, I would hope, would address and look at very carefully. But my first impression is that I would worry about the span of control if management and budgetary functions are sort of detached from the operation level. That's just my first thought.

Mr. HORN. Well, that's been a worry of mine over the years, but I think they're right, not much is being done on the management

side. Some excellent people have been put in there, but they don't really have the staff or the clout to do the job that needs to be done, starting with program evaluation assurances, throughout the executive branch, really working with the Inspector Generals, the chief financial officers and others on the management questions that are revealed by GAO and everybody else around here.

Any comments on that from other members of the panel?

Mr. BLACK. Yes, Mr. Chairman. I think your instincts are on the right course in terms of there being somebody at the Executive Office of the President level to deal with and create a permanent institutional sense of how to implement whatever level of reorganization/dismantling takes place.

We would urge you, I think, also to not just do this one, then learn to do the next one. In fact, there's a learning process that can help shape what else needs to be done and how best to do it. There is, in fact, a learning experience that would come from when we try to put this over there, maybe that's—it doesn't work so well, that it's not just a mechanical function that you want here, but you want an analytical and an oversight view of this process of reorganizing government that grows and learns and ultimately gives us a much more efficient, effective government at the end of the day.

Mr. HORN. Yes, Dr. Rodgers.

Mr. RODGERS. I think the concept of creating a dismantling and/or slim down machine that takes this first run on Commerce and then proceeds, having learned, is a very good idea. I called Scott McNeily, the chief executive of Sun Micro Systems, last Friday, one of the companies represented by the CCA, and berated him for supporting big government. And he said in my mind dismantling the Commerce Department is only a first step, and, "we need Education, Energy and Agriculture to follow shortly thereafter." So if we take McNeily's advice, we will need a machine because there will be more to feed into it than just one department.

Mr. BLACK. I've got to counter, if I could. He mentioned SIA. Well, there are many major companies in SIA that are very much a part of the effort to hang on to a recognizable trade and business representative.

Mr. RODGERS. We're not SIA members, trust me.

Mr. BLACK. Well, they were part of this effort.

Mr. HORN. I'm sure three associations will jump up and say I got a great new organization for you. OK.

Mr. Chrysler, do you have any further questions, comments?

Mr. CHRYSLER. No, sir. I'd just like to thank this panel for their comments and suggestions today.

Mr. HORN. Well, I join him in that. We thank all of you, appreciate your written testimony, as well as your oral responses. So thanks for coming, spending the time.

Mr. HORN. Panel four will come forward, we will swear you in, and that will be the last panel for the day. Mr. Stevens, Dr. Ink, Mr. Keating, Mr. McNeill, Mr. Smith. We have Mr. Bingman's testimony. We're going to put it in the record. We have Mr. Smith and we have Dr. Ink, we have a few more signs to put out. Mr. McNeill. OK. Now everybody's behind the right names. Good. Wouldn't want any mystery guests here.

Mr. INK. That's reorganization.

Mr. HORN. That's right. I'm boning up for the Office of Management. If you would stand, raise your right hand.

[Witnesses sworn].

Mr. HORN. All witnesses have affirmed. We will start with Mr. Stevens, the Director of Federal Management and Workforce Issues for our friends, the General Accounting Office.

Mr. Stevens.

**STATEMENT OF NYE STEVENS, DIRECTOR OF FEDERAL MANAGEMENT AND WORKFORCE ISSUES, GENERAL ACCOUNTING OFFICE, WASHINGTON, DC; DWIGHT INK, PRESIDENT EMERITUS, INSTITUTE OF PUBLIC ADMINISTRATION AND SENIOR FELLOW, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION, WASHINGTON, DC; RAYMOND J. KEATING, CHIEF ECONOMIST, SMALL BUSINESS SURVIVAL COMMITTEE, WASHINGTON, DC; ROBERT L. MCNEILL, EXECUTIVE VICE CHAIRMAN, EMERGENCY COMMITTEE ON AMERICAN TRADE, WASHINGTON, DC; AND JEFFREY C. SMITH, EXECUTIVE DIRECTOR, COMMERCIAL WEATHER SERVICES ASSOCIATION, WASHINGTON, DC**

Mr. STEVENS. Thank you, Mr. Chairman. I'll be very brief in view of the hour and your instruction to keep this to 5 minutes.

Mr. HORN. Yes, may I say, if you weren't in the room, some of you, the rule is 5-minute summary of oral testimony from each, and then we'll wait until all of you have given us the 5-minute summary. Your full statement will be placed in the record. And then we open to questions in 5-minute sequences.

Mr. STEVENS. Fine. We've never done a management review of the Department of Commerce, as we have at most Cabinet departments, and we do not have a position on the dismantlement, per se. However, we think that there are some relevant lessons to be learned through our past work on the implementation of reorganizations that have been done in the past and on the Resolution Trust Corporation, whose mission of closing down an agency and selling off its assets parallels that of the Commerce Programs Resolution Agency.

The first question we would raise is whether agency shutdowns constitute such a specialized function that the government needs a continuing capacity for it, rather than a capacity that will as in this case go out of existence in 2½ years.

Even so, OMB, which is a possible alternative, has largely dismantled its government organization capability in recent years. In any case, our past work has convinced us of the need for very careful implementation planning. In past reorganizations it was typically an afterthought to the policy and political issues involved, and the result was a long period of turmoil and confusion. We think this applies not only to the functions that do wind up in the CPRA, but also to the majority of Commerce's functions which will either be transferred to other agencies or terminated either upon enactment of the bill or upon creation of the resolution agency.

The bill is unclear about who, if anyone, is responsible for winding up the affairs of Commerce components that are eliminated before or at the time CPRA is created or whether this agency would inherit the resolution agency's own unfinished affairs. When faced

with a comparable case in the RTC, Congress provided that the RTC develop a detailed marketing plan for assets under control, including how any continuing Federal interests would be protected. It also provided for a plan to transfer RTC's functions into the FDIC when it was done with.

To the extent that asset sales will come with some strings attached in the form of continuing government interests, some agency will need to be in a position to enforce those conditions. The functions that CPRA will carry out differ substantially from what Commerce employees who will staff the agency have been doing up until now. Marketing assets demands different skills from running programs.

Additional help may be needed, as RTC found, and this would be particularly true for an agency that would be running practically continuous reductions in force under the rather stringent procedural rules that presently apply to Federal agencies. And I should note that the RTC, because it was a government corporation, was exempt from many of these procedural constraints.

Under similar conditions, Congress was careful to provide the RTC with an Inspector General to police the greatly increased interactions with the commercial sector, but I note that H.R. 1756 terminates the Commerce IG, just as the resolution agency is being formed.

Finally, Mr. Chairman, we also believe that the funding limitation in Section 310 of the bill would pose substantial and perhaps not entirely anticipated challenges for some Commerce functions. The bill limits funding to 75 percent of the funds expended during fiscal year 1994 for each subsequent fiscal year.

The Census, for example, was at the lowest point of its 10-year funding cycle in 1994. We have long urged that the Census Bureau invest some funds now in the research and testing that would be needed to devise a fundamentally different way of carrying out the Census, with potential savings down the line of \$1 billion.

We are afraid that this opportunity may be lost if the Bureau has to cut a quarter or more of its staff at this critical point in the planning cycle. We also note that by pegging the limitation to expenditures in 1994, the bill makes no distinction about the source of the funds.

For example, about a third of the Bureau's expenditures at this point in the cycle are for surveys such as the Bureau of Labor Statistics Consumer Price Index that are done on a reimbursable basis. And I would think those would be the first that the Census Bureau would choose to do away with.

Similarly, since the Patent and Trademark Office is fully funded by application fees which are designed to pay its full costs, cutting its expenditures by 25 percent could only be done by refusing applications, cutting fees to below cost, or extending the processing backlog.

Mr. Chairman, we also have some observations on two GAO reporting requirements in the bill. We believe they might be better met by more flexible request work on behalf of this committee or others that had interests in the transition as it was progressing. And I'll stop there.

[The prepared statement of Mr. Stevens follows:]

COMMERCE DISMANTLEMENT:  
OBSERVATIONS ON PROPOSED IMPLEMENTATION MECHANISM

Summary of Statement by L. Nye Stevens  
Director  
Federal Management and Workforce Issues

The proposed Department of Commerce Dismantling Act, H.R. 1756, is one of several proposals that would abolish or significantly reorganize the Department of Commerce. Few, if any, precedents exist for dismantling a Cabinet-level federal agency. However, six agency reorganizations under the Reorganization Act of 1977 and the Resolution Trust Corporation's liquidation of savings and loan institutions appear to share some characteristics with the proposed act's Commerce Programs Resolution Agency (CPRA), which would wind up the affairs of Commerce.

CPRA's mission is narrowly focused on dismantling Commerce over 2 1/2 years, but the current budget environment and other proposals to more extensively reorganize the executive branch may call for a continuing, general capacity to guide reorganizations and downsizing. If Congress expects that the government will need the capacity to guide reorganizations and federal agency downsizing in more than this one instance, it may wish to consider the feasibility and desirability of assigning the responsibility to an entity that will continue to exist.

GAO suggests that Congress may wish to consider several specific issues as it deliberates the proposed Commerce Dismantling Act implementation provisions:

- Failure to carefully plan needed implementation actions hampered previous reorganizations. The proposed act provides for a plan but does not specify the agencies involved or a strategy for disposing of assets.
- The breadth and unique nature of CPRA's mission call into question whether it can complete its work in 2 1/2 years as the act proposes.
- The former Commerce personnel who would staff CPRA may lack skills and knowledge for some of CPRA's tasks.
- Exemption from certain federal statutes would increase flexibility and specific guidance on the disposing of Commerce's assets may help CPRA meet its mission.
- The funding limitation specified in the act may disrupt CPRA's efforts to achieve its mission and also may hinder the remaining Commerce programs from achieving their current program objectives, such as census reform.
- CPRA may need an Inspector General's oversight.
- The proposed act does not clearly assign any official or organization responsibility for overseeing functions terminated before CPRA's creation.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to assist the Committee in its consideration of the proposed Department of Commerce Dismantling Act, H.R. 1756, one of several proposals that would abolish or significantly reorganize the Department of Commerce. As you requested, my remarks focus primarily on the proposed Commerce Programs Resolution Agency (CPRA) that would be created under title I of the act. We have not reviewed and do not have a position on the proposed dismantlement of Commerce.

As you know, few, if any, precedents exist for dismantling a Cabinet-level federal agency. Nevertheless, the lessons that can be gleaned from certain previous government experience may help guide the Committee in considering the proposed act. We looked back through our past work for analogous situations. Although not perfectly parallel to Commerce's dismantlement, agency reorganizations under the Reorganization Act of 1977<sup>1</sup> and the Resolution Trust Corporation's (RTC) liquidation of savings and loan institutions<sup>2</sup> appear to share some characteristics with the

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<sup>1</sup>See Implementation: The Missing Link In Planning Reorganizations (GAO/GGD-81-57, Mar. 20, 1981). Among the agencies created or modified in the reorganizations that we analyzed in this report were the Federal Emergency Management Agency, Equal Employment Opportunity Commission, Federal Labor Relations Authority, International Development Cooperation Agency, Merit Systems Protection Board, and the Office of the Special Counsel.

<sup>2</sup>We have issued approximately 65 reports and 20 testimonies on RTC since August 1990.

Commerce situation, and thus lessons we learned in reviewing their implementation may be applicable.

On the basis of this work, we have identified a general issue. CPRA's mission is tightly focused on dismantling Commerce over 2 1/2 years, but the current budget environment and other proposals to more extensively reorganize the executive branch may call for a continuing, general capacity to guide reorganizations and downsizing. Aside from this general issue, we also have identified several specific issues that Congress may wish to consider as it continues to deliberate the provisions of the Commerce Dismantling Act. These are

- the need for implementation planning,
  
- the tight deadline CPRA would face,
  
- the suitability of CPRA staff for some of CPRA's responsibilities,
  
- the possibility of (1) exemptions from certain statutes and (2) additional guidance on asset sales,
  
- the challenges posed by funding limitations,
  
- the loss of the inspector general function,

- the clarity of termination responsibilities, and
  
- the mandate for GAO reports.

#### BACKGROUND

CPRA is an agency that would be created 6 months after the enactment of the Commerce Dismantling Act. The mission of CPRA would be to administer and ultimately wind up the affairs of those functions of the Department of Commerce that are not transferred to other federal agencies or terminated before CPRA is created. Winding up Commerce's affairs includes selling, if possible, the assets of certain former Department of Commerce functions and settling the obligations of the continuing Commerce functions that CPRA receives upon its formation. CPRA also would see to its own termination within 2 1/2 years of its creation. CPRA would be staffed by former Department of Commerce personnel who are not transferred to other government agencies in the reassignment of various Commerce functions. It would be headed by an Administrator appointed by the President with the advice and consent of the Senate.

#### Relevance of Reorganizations and RTC Experience

The governmental reorganizations undertaken in the late 1970s under terms of the Reorganization Act were similar to the act

before the Committee today. The similarity exists in that agencies and their components were realigned to join entities with similar missions with the intent of improving the efficiency and effectiveness of government operations. The reorganizations were, however, smaller in scope than the Commerce dismantlement proposal, did not involve the termination of numerous functions, and included significant roles for the Office of Management and Budget (OMB) and the General Services Administration (GSA).

RTC's role also may be somewhat analogous to the role anticipated for CPRA. Like CPRA, RTC was established by law (1) to assume some responsibilities for functions that were being abolished, (2) to dispose of certain assets, and (3) to terminate its own operations within a designated period. Unlike CPRA, however, RTC's asset disposition workload increased over the first year of its existence before declining. CPRA likely will have its peak workload immediately upon formation. In addition, RTC was to dispose of assets that had emerged from an existing market, whereas the proposed CPRA would dispose of more unusual assets, such as laboratories, for which a market is less readily apparent. Also, RTC was created as a mixed-ownership government corporation while CPRA is designated as a federal agency. As a government corporation, RTC was exempt from various laws and regulations, e.g., personnel laws, that would apply fully to CPRA as a government agency.

COMMENTS ON COMMERCE DISMANTLING ACT PROVISIONS

Drawing on our work with previous government reorganizations and RTC, as well as other studies, we analyzed CPRA as delineated in title I of the proposed act and identified some issues the Committee may wish to consider further as it deliberates possible modifications to the act.

Is a Continuing Capacity Needed to Guide  
Government Reorganization or Downsizing?

As a general issue, the terminations and transfers outlined in the proposed Commerce Dismantling Act require that some entity be responsible for the multitude of details that must be worked out as changes occur. Although we have several observations that might improve the likelihood of its success, the designation of an agency like CPRA to assume these responsibilities has some precedent, for instance, in RTC. However, CPRA would narrowly focus on the dismantlement of Commerce and would disappear entirely when its mission is completed. If Congress expects that the government will need the capacity to guide reorganizations and federal agency downsizing in more than this one instance, it may wish to consider the feasibility and desirability of assigning the responsibility to an entity that will continue to exist.

Implementation Planning Would Help Dismantling Effort

Dismantling the Commerce Department would present a challenging task. Under the proposed act, several major Commerce components are to be transferred into other federal agencies. This entails transferring physical property, such as office equipment, personnel, records, and financial obligations. In addition, office space likely will be needed to house the newly merged entities. The act proposes that numerous other Commerce components are to be terminated, either immediately upon enactment of the Dismantling Act or at various times up to the mandated termination of CPRA itself, 3 years after enactment.

Our review of six new or reorganized agencies formed under the Reorganization Act of 1977 found that agencies that gained new functions experienced delays in (1) obtaining key agency officials and adequate staffing and office space and (2) establishing such support functions as accounting and payroll systems.<sup>3</sup> These problems were attributable to inadequate emphasis on planning for the implementation of the reorganizations. Although considerable effort was expended in determining what agencies should be merged, planning for how to achieve the merger generally did not occur until the reorganizations had been approved. Among other things, we recommended that future reorganization plans establish a high-

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<sup>3</sup>GAO/GGD-81-57, March 20, 1981.

level task force or other mechanism to facilitate implementation of the reorganization. We explained that this task force or mechanism should include members of agencies losing or gaining resources or functions and such support agencies as OMB, GSA, and the Office of Personnel Management.

Under the proposed act, it is likely that CPRA's precise responsibilities and resources will need to be sorted out after its creation. Neither Commerce nor OMB is now planning for implementation of the act. The act's provisions assign responsibility to the CPRA Administrator and OMB for some sorting out of functions and the resources that would go with the functions. Under section 306, CPRA's Administrator is to make any determination of the functions to be transferred under the act. The Administrator also is to determine what personnel, assets, and other resources are to accompany the functions. OMB, on the other hand, is to determine when the transfer of personnel and resources is to occur.

We believe that additional implementation planning would help CPRA achieve the objectives of the Commerce Dismantling Act within the designated deadline. In the case of RTC, Congress required its Oversight Board to develop a strategic plan in its first 5 months of operation. This plan served an important role in communicating to Congress and the public how RTC was interpreting its mandates and how it planned to operate.

Similar planning would facilitate the implementation of the overall Commerce dismantlement, including the transfers of functions to other executive agencies, program terminations, and CPRA's wind-up of those Commerce functions not otherwise terminated or transferred elsewhere. The Dismantling Act includes a requirement that the President submit to Congress no later than the same date as CPRA would be established a plan for winding up the affairs of CPRA. This planning requirement may be more beneficial if it were expanded to include planning not only for winding up the affairs of CPRA but also for dealing with the transfers of Commerce entities to other federal agencies and the termination of numerous other Commerce functions. The planning requirement may also be more beneficial if it required the affected agencies gaining Commerce components and key support agencies like OMB and GSA to participate in the planning process.

In addition, because a significant and unusual responsibility for CPRA is the disposal of sometimes unique federal assets, such as laboratories, Congress may wish to require that the implementation plan specifically address this responsibility. For example, Congress could require that the plan include a determination of the potential market for the assets and the marketing approach likely to be used to sell the assets.

Finally, CPRA may not entirely wind up its affairs by the statutorily mandated deadline, and the proposed Commerce

Dismantling Act does not address this possibility. In similar circumstance, Congress required RTC to develop a termination plan for its operations. Congress also specified that any remaining RTC functions would transfer to an existing federal agency, FDIC, that has similar functions. RTC and FDIC officials served on a task force to plan the transition. The proposed act specifies that the President is to submit a plan for winding up the affairs of CPRA. Congress may wish to further specify that the plan include a provision for a successor to CPRA to receive and terminate any residual CPRA activities.

#### CPRA Faces a Tight Deadline

The 2 1/2 year time period the act allows for CPRA to dismantle the residual components of the Department of Commerce and itself may be too optimistic. Experience with less complex federal reorganizations suggests that several months, and perhaps more than a year, will be required for CPRA and the agencies gaining Commerce functions to reach agreement on all of the initial transfers of staff and resources from the Commerce Department into CPRA and other gaining federal agencies. CPRA also faces the task of planning and executing a new mission while simultaneously running inherited programs and making sizeable staffing reductions. Finally, because CPRA is to dismantle itself within 2 1/2 years, CPRA staff will be forced to look for alternative work opportunities even as they perform their tasks.

Suitability of Staff for New Responsibilities

CPRA is to be staffed with those Commerce employees not transferred to other federal agencies or whose employment is not terminated before CPRA is established. In general, these employees are experienced in running an ongoing federal entity or performing specific program or research responsibilities.

However, CPRA would be responsible for winding up the affairs of the Department of Commerce and then terminating its own operations. This would involve a multitude of responsibilities, such as settling accounts, dismissing employees in an orderly fashion, disposing of equipment and other physical assets, and terminating various contracts. However, CPRA also would be responsible for selling diverse assets, including laboratories, research facilities, and information repositories. To sell these assets, CPRA officials will need to

- inventory the assets;
- maintain the assets so they do not lose value;
- determine the market for the assets and their market value;
- develop a marketing strategy that will dispose of the assets within the mandated time frame, maximize the return to the government, and meet criteria specified in the proposed Dismantling Act;

- sell the assets; and
- properly account for receipts and transfer them to the general fund of the treasury.

Therefore, CPRA's responsibilities would differ somewhat from those currently carried out by Commerce employees. Although CPRA employees would be expected to have program knowledge and many of the requisite skills, CPRA officials likely will need to augment these skills. The needed skills may exist elsewhere within the federal government. OMB, for example, may have some of the required skills or may be able to assist CPRA in obtaining assistance from other federal agencies. Both GSA and the Defense Logistics Agency have considerable experience in disposing of assets. As of September 1990, GSA and the Defense Logistics Agency had targeted \$6.3 billion and \$4 billion in assets for disposition, respectively.<sup>4</sup>

Another option available to augment CPRA skills would be to contract for staff or to contract for the disposal of some or all of the assets CPRA inherits. RTC, faced with a situation somewhat analogous to that of CPRA, turned to outside contractors to acquire needed skills. RTC was initially staffed with FDIC officials who had relevant experience in taking over failed financial institutions and disposing of their assets. However,

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<sup>4</sup>Asset Management: Governmentwide Asset Disposition Activities (GAO/GGD-91-139FS, Sept. 27, 1991).

the sheer volume of failed institutions exceeded that which could be reasonably handled by RTC staff. Contracting enabled RTC to acquire the specific skills it needed. Contracting also allowed RTC to phase staffing in and out as the volume of assets to be liquidated varied over the life of RTC. If contracting is used to augment CPRA's capacity, CPRA management attention would be needed to ensure that the necessary administrative and oversight structures are developed.

Exemption From Certain Statutes  
and Additional Asset Sale Guidance  
May Be Desirable

Unlike RTC, under the proposed act, CPRA would be subject to all laws applicable to federal agencies. RTC, as a mixed-ownership government corporation was exempt from numerous federal requirements, such as personnel laws, which provided RTC greater flexibility than CPRA would have to carry out a similar mission. Accordingly, Congress may wish to consider whether any exemptions from executive agency statutes and regulations would be appropriate.

Congress also may wish to consider whether it should provide guidance to CPRA on resolving certain asset disposition issues. For instance, CPRA would be required to sell various federal assets to private entities "intending to perform substantially

the same functions as were performed" by the federal agencies. CPRA may need guidance on what organizations qualify as private entities. For example, CPRA may need to know whether such entities have to be profitmaking or whether nonprofit entities qualify. CPRA may also need to know whether state or local government entities, such as universities, qualify as purchasers. In addition, CPRA may need clarification of the term "intending to perform substantially the same functions." Assuming CPRA does sell assets to private entities that intend to perform these functions, it may need to know whether the government has a continuing interest in ensuring that the functions are carried out. If the government does, is CPRA responsible for ensuring that purchasing entities actually do carry out the functions? And, if CPRA is responsible, how can it accomplish this when CPRA is to terminate 2 1/2 years after its creation?

Finally, if CPRA is unable to sell assets within 18 months of its creation, it is required to report to Congress on the appropriate disposition of the assets for which "no offer" was received. This language suggests that any offer would have to be accepted by CPRA. Congress may want to specify that a "reasonable" offer must be accepted and provide guidance about what would constitute a reasonable offer.

Funding Limitation Poses Challenges

Section 310 of the proposed Commerce Dismantling Act limits funding to 75 percent of the funds expended for the Commerce functions during fiscal year 1994 for all continuing functions. This limitation would apply for each fiscal year after enactment.

A 25-percent funding reduction for continuing Commerce functions likely would require immediate reductions in their workforces. If personnel costs represent a high portion of the functions' expenditures, the personnel reductions may have to exceed 25 percent in order to pay for the severance compensation to dismissed employees. Such immediate and extensive reductions in the workforce would disrupt productivity and divert managers' attention. For CPRA, this disruption would occur even as it was organizing and determining how to carry out its challenging mission within the statutorily mandated 2 1/2 year deadline.

Congress may want to assess the effects of the funding limitation on the ability of former Department of Commerce functions that are transferred elsewhere to achieve their program objectives. Three such functions are the Census Bureau, the National Weather Service, and the Patent and Trademark Office.

Census Bureau

Holding the Census Bureau's budget to 75 percent of fiscal year 1994 expenditures, at a time when the budget would normally increase rapidly in preparation for the decennial census, may jeopardize savings that could be realized through improvements in census design. Needed improvements include the increased use of sampling and other statistical techniques, a simplified census questionnaire, greater use of the Postal Service's address list, and streamlined field programs. We have long urged the Census Bureau to consider, evaluate, and test these improvements.<sup>5</sup>

On the basis of our work,<sup>6</sup> the congressional fiscal year 1996 budget resolution assumes that almost \$1 billion can be saved on the cost of the 2000 Decennial Census if basic changes in census design are made. Even without the significant budget limitation imposed in the Commerce Dismantling Act, we have been concerned that the opportunity for a well-planned census reform will be lost if Congress and departmental management--wherever the Census Bureau is placed--do not work aggressively to ensure that needed changes are made in time for the 2000 Census.

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<sup>5</sup>Decennial Census: 1995 Test Census Presents Opportunities to Evaluate New Census-Taking Methods (GAO/T-GGD-94-136, Sept. 27, 1995).

<sup>6</sup>Decennial Census: 1990 Results Show Need for Fundamental Reform (GAO/GGD-92-94, June 9, 1992).

National Weather Service

The National Weather Service is modernizing its weather information systems and has estimated a total cost of over \$4.5 billion. Our work has shown that the modernization program was being designed and developed without adequate attention to how the systems should work together and that development and performance problems remained within individual systems.<sup>7</sup> Despite these problems, the National Weather Service has installed and is using modernized weather equipment that produces more accurate and timely weather information. However, National Weather Service officials have reported that budget cuts of the magnitude proposed in the Commerce Dismantling Act would require that a significant portion of these new weather systems be closed. Congress may wish to further explore these reported consequences.

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<sup>7</sup>Weather Forecasting: Radar Availability Requirement Not Being Met (GAO/AIMD-95-132, May 31, 1995); Weather Forecasting: Unmet Needs and Unknown Costs Warrant Reassessment (GAO/AIMD-95-81, Apr. 21, 1995); Weather Service Modernization: Despite Progress, Significant Problems and Risks Remain (GAO/T-AIMD-95-87, Feb. 21, 1995); Weather Forecasting: Improvements Needed in Laboratory Software Development Processes (GAO/AIMD-95-24, Dec. 14, 1994); Weather Forecasting: Systems Architecture Needed for National Weather Service Modernization (GAO/AIMD-94-28, Mar. 11, 1994); Weather Forecasting: Important Issues on Automated Weather Processing System Need Resolution (GAO/IMTEC-93-12BR, Jan. 6, 1993).

Patent and Trademark Office

The proposed act's section 310 limitation on funding suggests that the Patent and Trademark Office, which funds its operations out of fees charged to those seeking patents or trademarks, would also be subject to the limitation. The limitation would apply to the Patent and Trademark Office because section 310 would apply to the "amount expended" for activities before the effective date of the Commerce Dismantling Act regardless of the source of the expended funds. A 25-percent reduction in Patent and Trademark Office expenditures would not affect the budget deficit but likely would slow the processing of applications.

Inspector General Function Would Be Abolished

Disposition organizations tend to have a high vulnerability to fraud, waste, and abuse. For example, as early as 1990, several organizations responsible for disposing of federal property or assets were included on our list of areas especially vulnerable to fraud, waste, and abuse. RTC was one such organization on our high-risk list. Congress specifically recognized the risks likely to be associated with RTC and created an Inspector General within RTC to help improve its operations. In addition to performing numerous audits, RTC's Inspector General has done criminal investigations that resulted in 134 convictions involving RTC employees, contractors, vendors, and others.

However, under the proposed act CPRA would not have an Inspector General. The proposed Commerce Dismantling Act would abolish the Inspector General's office concurrent with the creation of CPRA. Given RTC's experience, Congress may wish to consider the desirability of providing an Inspector General's oversight of the efforts to terminate Commerce Department programs to help ensure that wind-up operations are conducted honestly, efficiently, and effectively.

Since only a portion of the former Department of Commerce would become part of CPRA, all of Commerce's Inspector General staff would not need to be assigned to an Inspector General within CPRA. In considering the reassignment, if any, of current Inspector General staffing, some consideration may need to be given to whether the agencies that are to gain major Commerce components will themselves have adequate Inspector General staffing to oversee these new components. For instance, the current Commerce Department Inspector General devotes approximately 60 staff to auditing the operations of the National Oceanic and Atmospheric Administration (NOAA). Some but not all of NOAA's functions and staff would be assigned to the Department of the Interior. We did not determine whether the Inspector General for Interior would have the capacity to audit these newly acquired components while maintaining adequate presence elsewhere within the Interior Department.

Unclear Termination Responsibilities

Effective with the enactment of the proposed Commerce Dismantling Act, various programs, administrations, or offices would be terminated. Six months after enactment and concurrent with establishing CPRA, a larger group of entities or functions would be terminated. Although the intent of creating CPRA is to lodge responsibility for an orderly wind-up of the Commerce Department, none of these terminated functions, offices, or other entities seems to fall under the purview of CPRA. The proposed Dismantling Act would not assign any official or organization clear responsibility for overseeing these terminations. Congress may need to consider assigning the responsibility for the termination of these functions or delegating the determination to another party, such as the President.

Our Reporting Requirements

Sections 107 and 201(c) of the proposed Commerce Dismantling Act require reports from us. Past experience has shown that we generally can respond more effectively to congressional information needs through specific requests than by responding to statutory mandates. When we receive a request from a Committee Chairman, Ranking Minority Member, or other congressional Member, we contact the requester's office to gain a better understanding of the specific information needed, the type of product that will

best convey the information, and the required delivery schedule. Working with the requester's office, we are able to make appropriate alterations in the work to maximize the benefit of the work done. Statutory mandates generally do not allow us as much latitude in our efforts to serve Congress as effectively. Accordingly, we suggest that the Committee consider eliminating the statutory GAO reporting requirements and, as an alternative, requesting our work as it is needed or anticipated.

In the specific case of the section 107 reporting requirement, we are directed to report within 180 days of the act's enactment on the most efficient means of completing the abolishment of the Department of Commerce and the termination, transfer, or continuation of Commerce functions. This charge is similar to the section 106(c) requirement that the President report at the same time on how to wind up the affairs of CPRA. If a reporting requirement is retained, some clarification of the intent and relationship of these two reports would be appropriate.

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This concludes my prepared statement. Mr. Chairman, I would be pleased to respond to any questions.

(246093)

Mr. HORN. Very good. All of the GAO material will be put into the record at this point.

Let us now proceed to the next witness, Dr. Dwight Ink, president emeritus of the Institute of Public Administration and senior fellow of the National Academy of Public Administration.

Dr. Ink.

Mr. INK. Mr. Chairman, I am pleased to testify on H.R. 1756. Although I am testifying in response to your invitation to NAPA, my comments reflect my own personal views, since the Academy has taken no position on this bill.

I am testifying concerning the process specified in the bill, not the wisdom of eliminating the Department. My views are influenced by having had responsibility for a number of Presidential reorganization plans, such as establishing OMB and EPA, President Nixon's sweeping reorganization plans which included eliminating Commerce, and particularly my experience in completely eliminating the independent agency I headed for President Reagan, the Antipoverty Agency.

First of all, H.R. 1756 badly needs an introductory explanation of its purpose, rather than just a perfunctory to abolish the Department of Commerce. Clientele of the department and the public are entitled to know the reasons the sponsors believe the department is no longer needed.

For many years, there has been general agreement the functions should be distributed on the basis of major purpose. This concept does not appear to underlie the provisions of this bill. If a different concept is now intended, it should be explained.

My next question is why go to the trouble of setting up a new agency when the objective is to eliminate the department containing the same functions? Even if the intent of the bill is to change little more than the name, I would predict more legal and personnel issues than we can readily identify in advance.

In eliminating CSA, I certainly would not have wanted the complication of transforming ourselves into a new agency while we were in the midst of addressing all the issues involved in eliminating the old. Another drawback is the fact that the executive level II head of CPRA would be in a weaker position than the executive level I Secretary of Commerce to negotiate the numerous transfers contemplated by the bill. I know from personal experience that the leverage and access of the Cabinet and the Subcabinet are quite different.

The bill does not provide much evidence of considering the impact of transfers on the receiving agencies. The objective of eliminating a department does not in itself provide the basis or rationale for determining which agency should receive which transferred functions.

We need to remember that reorganizations are not simply moving boxes. They are costly in terms of dollars, confusion and disruption to the government's clientele. This bill could draw Congress into administrative issues that could delay the termination process substantially.

How much detail is expected, for example, in the requirement that the President shall submit to Congress a plan for winding up the affairs of the agency? Further, Section 107 requires GAO also

to develop recommendations. How long can Congress deliberate these two sets of plans which may differ considerably? How are these implementation issues to be resolved on a timely basis?

The law gave me only 7 weeks to abolish CSA, and this timetable was too short. However, I believe the 3-year timetable in H.R. 1756 is unnecessarily long and costly. I would suggest adding only 1 year, in addition to the 6-month preparation period, for CPRA implementation, rather than extending it over the 2½ years permitted in the bill.

Key to expediting the process will be heavy reliance on experienced career men and women, rather than bringing in a cadre of political appointees or businessmen. I found this approach to be by far the most important dimension to our successful termination of CSA. I would go further than the bill in giving OMB a leadership role, as the chairman has indicated.

If the CPRA mechanism is retained, I would urge that the termination authority go to OMB, with a proviso that much of the authority be delegated to CPRA. This was done in the case of CSA, and it bound the OMB and CSA into a partnership arrangement that was very useful.

Skillful handling of personnel issues was our No. 1 management priority in abolishing CSA. Although the effectiveness of OPM has declined sharply over the past 2 years, it can still be helpful, both in Washington and in the field. These are issues, by the way, that the Inspector General is particularly poorly qualified to handle.

Similarly, a role for GSA should be included for space, furniture, records, and equipment issues. I recommend against the concept of a standard reduction in expenditures for each function transferred. A rigorous analysis of relative funding needs would not result in the same cut for each function. And where is any analysis of the impact of these reductions?

Finally, I regard the comprehensive approach contemplated by Senator Roth's proposed 2000 Commission to be far superior in modernizing government to either the National Performance Review or the piecemeal approach represented by H.R. 1756. I do have significant problems with several specific provisions, however, in the versions I have seen.

In conclusion, Mr. Chairman, I've testified over the past 25 years a number of times in favor of eliminating the Department of Commerce. But I do feel that this bill is poorly drafted and not well thought through. Thank you.

[The prepared statement of Mr. Ink follows:]

**Testimony of Dwight Ink  
President Emeritus, Institute of Public Administration**

**Before the  
House Subcommittee on  
Government Management, Information and Technology**

**ABOLISHING THE DEPARTMENT OF COMMERCE**

Mr. Chairman, I am happy to respond to your invitation to testify on H.R. 1756, a proposal to eliminate the Department of Commerce. Although I am testifying in response to your invitation to the National Academy of Public Administration, my comments reflect my own personal views. The Academy has taken no position on the abolition of the Department.

My views are influenced by earlier responsibility for a number of presidential reorganization plans, such as the establishment of OMB and EPA, as well as President Nixon's Departmental Reorganization Program, the most sweeping departmental consolidation plan ever proposed by a president. Mr. Bingman also played a key role in developing that consolidation proposal, which, by the way, included eliminating the Department of Commerce.

In addition, under President Reagan, I had the unique experience of completely eliminating the independent agency I headed, the Community Service Administration (CSA), which handled the anti-poverty effort. The Congressional Research Service advised me then that the last independent agency with a nation-wide peace-time mission to be abolished had been the NRA which the Supreme Court declared unconstitutional in the 1930s. Consequently, we had no guidance from past experience, but we did learn a great deal during the close-down.

In keeping with the scope of this hearing, my observations will focus on the process and approach to downsizing the Department, particularly Title I, rather than the wisdom of either the abolition of the Commerce Department or the proposed distribution of functions.

It is probably obvious that no two reorganizations of any magnitude are the same. The Commerce proposal, for example, involves a far greater diversity of activities and clientele than did CSA. On the other hand, the CSA close-down involved a highly volatile nation-wide clientele used to organizing opposition to governmental actions. Further, the CSA dissolution maximized the potential for organized opposition by virtue of its termination of all the agency activities, rather than simply transferring them. Despite these differences, this past experience does have some relevance.

#### **Purpose of the Bill.**

This bill badly needs an introductory explanation of the purpose of the proposed legislation other than the perfunctory statement "To abolish the Department of Commerce." The clientele of the Department, and the public in general, are entitled to know the reasons the sponsors believe the Department is no longer needed. Although the sponsors undoubtedly plan to discuss the rationale in their speeches, the basic purpose and reasoning need to be formalized in the proposed legislation at the outset.

For many years, under both Democrats and Republicans, there has been general agreement that functions should be distributed among agencies on the basis of major purpose. This policy does not appear to underlie the provisions of this bill, and it is difficult to assess the merits of the bill without knowing the underlying rationale. If a different policy framework is now intended, the new policy should be stated and explained, with an opportunity for debating its merits.

**Need for CPRA.**

My first question regarding H.R. 1756 is **"Why go to the trouble of setting up a new agency when the objective is to eliminate the Department containing most of the same functions?"** I have been told that the proposed CPRA arrangement provides greater assurance that the dissolution of Commerce will be presided over by someone who has not been serving as a strong advocate for the Department. Although I understand this rationale, it is not clear to me that it is sufficient justification for the confusion and delays likely to be caused by setting up a new independent agency.

I know from personal experience that abolishing an independent organization is more involved than one would think. Even if the intent of this bill is to change little more than the name of the Commerce Department, I would predict more legal and personnel questions than we can readily identify in advance. In eliminating CSA, I certainly would not have wanted the complication of transforming ourselves into a new agency while we were in the midst of addressing all the issues of eliminating the old agency. Even without this complication, for example, I was still dealing with the White House and Congress on the tortuous process of confirming political new appointees when the agency closed its doors and turned out the lights.

Another drawback is the fact that the Executive Level II head of CPRA would be in a weaker position than the Secretary of Commerce to negotiate the numerous transfers contemplated by the bill, and there would be also a downward ripple effect in lower level positions. There is a substantial difference between being a member of the so-called Sub-cabinet and belonging to the Cabinet, a difference that becomes especially apparent in negotiating out transfer of functions in a responsible way. Even with strong support from Ed Meese in the White House and the director of OMB, as an Executive Level II, I encountered difficulty in moving forward on agreements with Level I cabinet members on a timely basis.

**Impact on Receiving Agencies.**

**It does not appear that much thought has been given to the impact of certain transfers on the receiving agencies.** Again, are the transfers based on major purpose, and if not, on what are they based? The objective of eliminating a department does not provide the basis for determining which agencies are to receive which transferred functions. The transfer to State Department of the Export Administration Act functions, for example, raises the question of the extent to which those activities, such as licensing, will divert State Department personnel from their basic diplomatic mission.

Many people have been dismayed already by the failure of some members of Congress to consider the potential negative impact of management functions recently proposed in other legislation for transfer to the State Department. I have reference to the suggested merging of the Agency for International Development which most knowledgeable people believe would (a) saddle State Department with administrative functions for which ambassadors and their staff are not, and should not, be trained to try to manage, and (b) divert State Department in a serious way from its basic missions which are difficult to carry out at best.

Similarly, H.R. 1756 does not explain the rationale for transferring to the State Department certain management functions of the type which the Department has been notoriously ill-equipped to handle in the past, and which would seem to detract from its ability to handle its existing missions. If the sponsors have a solution to this problem, it should be set forth in the bill.

The same type of question should be raised with respect to the other transfers that are proposed. We should remember that reorganizations involve costs, and that the promised savings almost never materialize. Not only are there short-term termination costs, there is disruption which reduces productivity for a substantial period and often places a serious burden on those elements of society utilizing the affected government services.

**Role of Congress.**

**I have some concern that the bill could draw Congress into administrative issues which should be left to the Executive Branch.** What is expected, for example, in the requirement of Section 106 that the "President shall submit to Congress a plan for winding up the affairs of the Agency..."? How much detail is contemplated, how long can Congress deliberate the plan, and how are differences with the Executive Branch to be resolved on a timely basis? Further, Section 107 requires GAO also to develop recommendations for achieving the objectives of the Act.

In the past, Congress has left to the Executive Branch the details of implementation, although Congress had the role of passing on the major features of reorganization such as those stated in this bill. Informal Executive Branch consultation with Congress in advance of submitting the report, was also an important feature of most earlier reorganization plans.

**The existing wording of the bill could lead to final decision-making on a range of issues being delayed until nearly the end of the three-year winding-up period with resultant waste, confusion, and unnecessary disruption in service to the public.** As mentioned later in my testimony, I would urge that the bill be modified to shorten the termination process, an objective the existing provisions would probably render impossible.

Section 201 (c) also requires a GAO audit of all grants under the Public Works and Economic Development Act for FY95. Commerce will also be conducting such audits. Does the bill really intend to require duplicate audits for both branches of government? Perhaps a better role for GAO would be to test the validity of the Executive Branch audits, especially in view of the staffing cuts the GAO is undergoing. Further, if there is such a report to Congress from GAO, it also should be provided concurrently to the President.

**OMB Role.**

Several references to OMB are made in the bill, especially Section 304. However, **I would go somewhat further than the bill provides**, even though OMB no longer has the capacity it once had to provide leadership in inter-agency reorganizations. If the Congress decides to stay with the CPRA concept, for example, it might be wise to have the bill give OMB the authority to administer the dissolution with the proviso that most of that authority be delegated to the head of CPRA. This could bind the OMB and the CPRA in something of a partnership that could be very effective.

The termination of CSA utilized this mechanism, and it helped ensure active OMB involvement and support, an organizational dimension to our success that was critical. Jurisdictional issues are bound to arise that only OMB can arbitrate, and some of the agencies receiving Commerce functions may need OMB prodding to move forward on a timely basis. OMB support and leverage will be essential in securing the detailing of critically needed people from other agencies during the winding-up period. If the OMB role is clearly established at the outset, and OMB has a coordinating role that is recognized from the beginning, the dissolution will move forward far more smoothly. For decades OMB served a series of presidents in providing leadership in major reorganizations. This capability has been largely lost, and Congress should require that OMB rebuild this capacity. **Better yet, I would urge that this Committee introduce long overdue legislation to establish an Office of Federal Management.**

**CPRA Timetable.**

By law, I had only seven weeks to close CSA after Congress acted, and I was prohibited by law from taking even the most routine preparatory steps prior to Congressional action. This timetable was too short. It was unfair to the employees who had insufficient time to secure employment elsewhere, and it did not provide adequate time for the agency clients to adjust to the absence of the agency and its programs, all of which were eliminated.

At the same time, **I believe the three-year timetable in H.R. 1756 is unnecessarily long and costly.** Under the bill, most of the Commerce functions are transferred to other agencies, all of which could be accomplished in much less than a year under effective leadership with OMB support. There will be certain close-out activities, such as audits and resolution of contract disputes, that may extend for several years. But these should be handled by other agencies rather than spending funds to continue a residual agency for an unduly long period. Likewise, privatization elements of the bill could be resolved by the agencies receiving the functions, utilizing the same timetables set forth in the current bill.

Prolonged termination processes are fraught with morale problems and waste money. To the extent detailees are used for certain technical close-down activities, for example, the need for long-term details sharply reduces the availability of quality men and women. The bill wisely provides for a six-month period between enactment and the effective date, a period in which the planning can take place. **I would suggest adding only one year (in addition to the 6 month preparation period), for CPRA implementation, rather than extending it over the two and one-half years specified in the bill.**

This suggestion to expedite the process is predicated on the assumption that highly qualified and experienced professional people from the career service be drawn upon. Some feel that one cannot rely very heavily upon career people to dismantle their own organization. I can assure you that this is a myth, unless there is brought in a cadre of unqualified political leadership which is hostile and distrustful of the career service. This negative approach would not earn the loyalty of professional men and women and would not take advantage of their knowledge and resourcefulness.

Given proper leadership that knows government and can lead, the career service will respond quickly and dependably. In the case of CSA, virtually every employee was opposed to the termination, but they recognized that this was the will of the President and the Congress, and that it was their responsibility to make it happen. I have tremendous admiration for the extremely difficult task the CSA career men and women carried out effectively under the most trying of circumstances. Because of their knowledge of the

programs and their professional pride, we were able to accomplish what had never been done before.

Although I would rely primarily on career leadership in the case of the Commerce Department, I would not utilize the NPR approach which drew too heavily on men and women who were talented, but had only limited knowledge of the particular subject matter which they were asked to address. And I certainly would not rely upon private sector experience for a rapid dissolution process, because the legal and political environments are so much different.

My suggestion for shortening the timetable is also predicated upon an assumption that the President would not have to await Congressional action on the GAO recommendations and/or the President's plans before moving ahead. Should this assumption be incorrect, three years might not be long enough!

#### **Office of Personnel Management.**

**Skillful handling of personnel issues was our number one management priority in abolishing CSA.** There was a great range of issues to be faced, some of them highly predictable, others unexpected and unusual. I thought it was very essential that we provide incentives that would help us cope with morale problems and encourage our men and women to take pride in performing a distasteful task on a professional basis. It was important to develop arrangements to keep key employees on the rolls until the last day of the close-down.

OPM, particularly through its regional offices, was very helpful to CSA during its rapid close-down, and I would suggest the bill include reference to OPM responsibility for providing assistance in addressing personnel issues that may arrive. The requirement that staff in some of the transferred functions be reduced by 25%, in itself, will raise RIF and other difficult issues. The OPM field capability has been reduced through the NPR process, but I am sure there are enough knowledgeable people remaining in the OPM field offices to be of help.

H.R. 1756 should include a provision under which the CPRA can request other agencies to detail up to a specified maximum number of employees, perhaps a total of 50, for limited periods of time for each detailee. I found the need for CSA detailing additional auditors in the final weeks, for example, to be of crucial importance. OMB should be empowered to referee requests to which the originating agencies may object.

#### **General Services Administration.**

GSA played a very important role in terminating CSA. In the case of Commerce, there will be furniture, equipment, and records which are not identified with individual functions that are to be transferred but involve crosscutting departmental activities. A series of space and telecommunication problems will have to be resolved. I suspect that space dislocations in the affected field offices may be considerable since different agencies are located in different cities. GSA must play an important role in addressing these problems, and the bill should assign to GSA the responsibility for assisting in the resolution of such matters and making final determinations on most of them.

#### **Reduction of Expenditures.**

Section 310 of the bill contemplates using the CPRA transfer mechanism as a tool for a 25% reduction in the expenditure level of each function being transferred. **I question this standard amount for each transfer.** It is another provision which is not supported by any rationale contained in the bill. It is extremely unlikely that a rigorous management analysis of relative funding needs would result in the coincidence of each function meriting the same 25% cut in size. We have already seen too much of this "amputation before diagnosis" in the National Performance Review of the Clinton Administration.

#### **Government 2000 Commission.**

For years Senator Roth has believed that piece-meal approaches to our increasingly fragmented and haphazard federal departmental structure is a mistake. I agree, and I

have applauded his efforts to persuade several Congresses and Presidents to join in establishing a bipartisan Commission that would take a comprehensive look at our structure in its entirety, much as President Truman had the two Hoover Commissions do after World War II. Later, President Nixon proposed consolidating seven cabinet departments and several independent agencies into four departments. The National Academy of Public Administration took a position some years ago endorsing the concept of reversing the process of fragmentation, although it did not propose a specific plan for doing so.

**I hope Senator Roth succeeds with this broader approach which I believe is far superior to a stove-pipe approach of dealing with departments and agencies one at a time. Not only does it provide a far better backdrop for comprehensive changes in redistributing functions on the basis of major purpose, it provides a much better opportunity to consider basic changes in departmental structure that might have the potential for great savings in process and staffing requirements. We have had several impressive examples of streamlined agencies that should be looked at for possible wider application. Neither the NPR nor the H.R. 1756 will reach these greater potential advances.**

Despite my enthusiasm for the broad concept of the Government 2000 Commission, I have some problems with the current draft of the Commission proposal. **First**, I believe the combination of structure and program changes immensely complicates the task of the Commission and is unrealistic, especially when the bill contemplates the use of certain fast track machinery.

**Second**, I believe it goes too far in setting specific goals before the Commission reviews are made. Section 706, for example, requires that in the second fiscal year following the fiscal year in which the Act takes effect, the total funding "...shall be no more than 65% of the amount of total funding for the Department of Commerce in the fiscal year in which this Act takes effect." Again, this is the NPR "amputation without diagnosis" approach to which many have objected so strenuously.

**Conclusion.**

**It is my view that a number of the provisions found in H.R. 1756 unnecessarily complicate the termination process, a process which is complicated to begin with. If the Congress should decide to move forward, I believe these provisions would need to be modified in the interest of reducing time, costs, confusion, and disruption of service.**

The above comments should not be interpreted, however, as constituting a judgment that the bill should be rejected or that the Commerce Department should be retained. It is my understanding that this Committee is not asking for an opinion on whether abolishing the Department should, or should not, take place. Further, if such an opinion were called for, much more background information would be needed before rendering one.

Finally, despite my reservations about many of the proposals that have circulated in both the executive and legislative branches of our government, I am pleased that the structure and operation of the federal government is receiving so much attention. I should like to congratulate you, Chairman Horn, and the other members of this Subcommittee and your hard-working staff, for your thoughtful approach to these issues.

Mr. HORN. Thank you very much.

I'd like to include at this point in the record the statement of Mr. Charles F. Bingman, professor of the George Washington University on the issues before us. Dr. Bingman is also a member of the National Academy of Public Administration, so that will be in the record at this point.

[The prepared statement of Mr. Bingman follows:]

TESTIMONY OF CHARLES F. BINGMAN  
PROFESSOR, THE GEORGE WASHINGTON UNIVERSITY

Chairman Horn and Members of the Subcommittee.

My name is Charles Bingman, and I am currently a professor of public administration at the George Washington University, and a consultant on government matters in the U. S. and in other countries.

I am appearing on behalf of the National Academy of Public Administration. As you know, the Academy is an independent, nonpartisan, nonprofit organization chartered by the Congress to identify emerging issues of governance and provide practical assistance to federal, state, and local governments on how to improve their organization, management, and policy formulation. My remarks however, are based primarily on my own 40 year experience in the federal government including senior positions in NASA, the Office of Management and Budget, the Department of Transportation, and the White House staff. In OMB I served five years as the senior OMB official in charge of government reorganization matters.

During these years, I actually helped ~~abolish~~ several federal agencies (Office of Emergency Preparedness, Peace Corps, VISTA, OEO, and the Atomic Energy Commission). -- the old Atomic Energy Commission. Most of my work in reorganization however involved acts of creation -- the Consumer Product Safety Commission, the Energy Research and Development Administration, EPA, the Drug Enforcement Administration, ACTION, the Commodity Futures Trading Commission, and several others.

It is a sign of the political times that we are here today discussing the termination of an entire cabinet department -- the Department of Commerce. This is an almost unprecedented action for the U. S. government to consider -- we have to go back to 1973 when the Post Office Department was converted to the Postal Service to find the last example. But it is my understanding is that I am not here to address whether the Department of Commerce should be abolished, or how to dispose of the department's

bureaus or programs. Rather, I have been asked to comment on how such a reorganization can most effectively be accomplished, and on the feasibility of the proposed Commerce Programs Resolution Agency (CPRA) defined in HR. 1756.

#### **ABOLITION IS A POLITICAL RESPONSIBILITY**

First, let me say that the proposed CPRA is not the key to abolition of the Department. In fact, it is irrelevant unless and until the Congress solves the politics of deciding if the department should be abolished, and how the various elements of the department are disposed of. Said another way, the abolition of the department is an intensely political problem which must be solved first before the method of disposition has any meaning. The CPRA cannot serve as a political tool but only as a managerial tool to execute the decisions of Congress in a stable and effective manner. If the substantive elements of H.R. 1756 are only partially enacted, it would be better to keep the current Department structure and authority intact as the vehicle for the resolution of unsolved political decisions.

But assuming the entire intent of H.R. 1756 is enacted, the Congress still has some options as to how its will can be executed:

1. It could keep the Department structure for a defined and limited period as the instrument for implementation. For this purpose, Congress could reenact a modern version of the Reorganization Act of 1949 (frequently extended until 1984). Under such an approach, the Secretary through the President, could submit specific Reorganization Plans which are "set pieces" which could be voted up or down by the Congress within a statutorily limited period of time, but could not be changed in substance. The Reorganization Plan approach has been used many times in the past to create agencies, to break out organizations as independent agencies, to abolish organizations, or to transfer them from one organization to another. I recognize that reenactment of the Reorganization Act is a separate political debate, but a special form of that authority could

well be placed in H. R. 1756 to give both the President and the Congress a greater degree of control over each specific organizational action.

2. The innovative approach of the Commerce Programs Resolution Agency is feasible and could be made to work with certain understandings behind it.

3. The Congress could assign the follow-up implementation role to the Office of Management and Budget, giving it a specific legislative mandate to carry out this task. In the past, OMB has often performed this organization termination role. However, the recent decline of OMB's management capability, and the elimination of its separate management organizations has probably reduced its ability to perform this kind of function now.

In the long run, if we look beyond the immediate proposal for the Department of Commerce, I believe that the most compelling thing that the Congress could do would be to reenact Reorganization Plan authority for the President. This would restore to the President and his agency heads the capability to initiate reorganization proposals anywhere across the whole government, and not just in this single department.

In the short run, the CPRA is the most forceful of the political choices. It deliberately breaks up the current department and creates a new entity, presumably freer from old alliances and pressures, charged only with the stewardship of the department's affairs up to their final disposition.

#### **ABOLITION IS A MANAGEMENT PROCESS**

Again I emphasize that the CPRA cannot and will not work if it is left with a lot of unresolved political conflicts. CPRA will work only if it is given the **management role** of directing abolitions and transfers of programs as effectively and dispassionately as possible.

Even this role will not be easy. Some of the clientele interests which have been served by the Department of Commerce may still want to jockey for position in the three year period of CPRA's functioning.

Let me further emphasize my main concern with the CPRA idea. If the Administrator of CPRA thinks that the only job of the agency is to supervise the terminations and transfers, CPRA will be worse than useless. All of the suborganizations of the Commerce Department must be **managed** during the transition period. The public does not deserve and should not be forced to accept a great big three year "black hole" of confusion, inaction, and bumbling during this close out period. Legislation can mandate the placement of functions, and authorize the needed technical authorities, but it can't keep the public programs afloat. Decisions must continue to be made. Grants or contracts must be let or terminated or supervised. Regulations must be enforced. The leadership of CPRA must be composed of skilled executives and managers who can take the necessary action to keep each organization as productive as possible during what will surely be a confusing and painful experience.

#### **ABOLITION: THE QUICKER THE BETTER**

Perhaps one solution should be to reconsider the three year period itself. I understand that the bill drafters want to allow sufficient time for this whole complex process to unfold, and I respect that intent. But it is also true that the major elements of the department are very different in character, and therefore different time frames may be feasible for each reorganization action. I strongly recommend that the legislation language be changed to require the Administrator to propose time tables for each organization action, with each action completed "as quickly as possible, but in no event later than **two years** after enactment." In this light, it seems to me that:

a. **Terminations** can be completed most rapidly, subject only to the human resources management issues discussed below.

b. When elements of Commerce are to be **transferred** to another stable department or agency, the capacity of the receiving organization to absorb the new responsibilities must be considered and will effect the pace at which the transfer can be accomplished. The Administrator of CPRA must work in a "joint venture" partnership

with these receiving organizations, and it would be unwise to force unilateral action except in cases of either foot dragging or indecision.

c. In cases where **independent agencies** are being set up, the pace of separation could be very rapid, since it would be led by existing management with high motivations for effecting the separation as cleanly as possible.

d. Once the bulk of the "heavy duty" work has been done by CPRA, it would be possible to transfer some of the residual cleaning up of the distribution of assets, the realignments of budgets, the legal shifting of contract or grant responsibilities to the oversight of OMB, assisted by the Office of Personnel Management and the General Services Administration.

#### **ABOLITION REQUIRES A HUMAN RESOURCES OBLIGATION**

Finally, there is one area of H.R. 1756 which needs serious upgrading. The bill is all but silent about the fate of the employees of these agencies. While making certain provisions for the disposition of executive positions, it says nothing about the rights of the bulk of employees who should not become the "victims" of a reorganization over which they have no control. I strongly recommend the following kinds of provisions, many of which have been used in previous legislation dealing with reorganization:

a. Some form of "hold harmless" clause should be drafted which provides that no employee shall lose his/her job solely as a result of the reorganization. This protection may be for a limited period -- perhaps one year -- after the effective date of transfer. This does not guarantee perpetual employment after that date; it is only intended to let the new agency leadership sort out how to absorb these employees, and plan any cutback, consolidation of functions, or second level reorganizations that may be required. This is not a suggestion to avoid personnel reductions. It is only a plea for Congress to provide some decent employee protection, and to guarantee the time for careful agency personnel management planning to take place.

b. In this vein, a requirement to cut back the funding levels every element of the current Department of Commerce by a uniform 25% would not make much sense, and some elements of the department warrant greater cuts than others, and the 25% reductions can have far worse staffing implications in some organizations than others. Thus, I hope that the language could be made clear that the 25% is either a target, or if a firm mandate, that it applies only to the total budget and employment of the whole department. The CPRA Administrator should be given a lot of latitude in determining how a gross number of 25% can be achieved, recognizing that terminations may solve most of this problem in itself.

c. Employees should be guaranteed no loss of grade or rank for a period of one year following enactment, solely as a result of a reorganization action imposed on them for the good of the government. Again, once the transfers are complete, agencies should be free to make any accommodations of staff grades and positions consistent with good management, after the one year protection period.

d. For those employees whose functions are terminated, they should be given something like a 60 day grace period to seek other work. In fact, the CPRA statute should authorize the CPRA Administrator to develop -- and seek funds for -- a special outplacement assistance program to aid employees whose functions are abolished.

e. CPRA itself will have staffing problems. Many of the skilled professionals it could use from the present Department of Commerce staff will be transferring or "bailing out". The CPRA Administrator should be given a special "first option" to transfer people to CPRA at least temporarily during its existence, subject to the agreement of the agencies where they will be permanently assigned. In addition, CPRA should be given authority to request the assignment of employees of other departments and agencies on detail assignments to fill key gaps in its skill base. H.R. 1756 already contains provision for CPRA to use contract services.

In summary, Mr. Chairman, the CPRA approach can be made to work if the Congress recognizes the essential managerial nature of its role, and equips it with the necessary authority and resources to play that role effectively. It is not, however, a guaranteed success pattern unless it continues to get strong Congressional and White House support in carrying out its very complex and difficult role.

Mr. HORN. Now, to get to our next witness is Raymond J. Keating, chief economist, Small Business Survival Committee, Washington, DC.

Mr. KEATING. Mr. Chairman and members of the subcommittee, I thank you for inviting me here today to discuss the Department of Commerce Dismantling Act. I'm chief economist of the Small Business Survival Committee, a small business advocacy organization with over 40,000 members across the Nation.

Let me start off by putting your minds at ease. In no way does the survival of America's small businesses depend on the continuing existence of the U.S. Department of Commerce, despite what some Commerce Department supporters may tell you.

For example, in a Small Business Survival Committee survey earlier this year, we found that 65 percent of small business owners saw the government as an opponent, with only 34 percent seeing the government as a partner. While the Commerce Department may help a few select businesses, the other businesses and taxpayers who foot the bill see it as just another Federal Government program costing them money.

In contrast, the dismantling of the Commerce Department could have a very significant positive impact on the entrepreneurial sector of our economy. SBSC believes that the seemingly relentless trek toward a \$2 trillion Federal Government must be stopped and reversed for our economic well-being. Eliminating the Commerce Department is an important early step in this process for three main reasons. First, as described in the report that I have which I'd like to also place in the record—

Mr. HORN. Without objection, it will be in the record at this point.

Mr. KEATING. The Commerce Department is a \$3.6 billion department filled with programs and endeavors that either would be better left to the private sector, for example, economic development programs, technology investment, or simply should be moved to other Federal departments, for example, Patent and Trademark Office to the Justice Department.

Second, the Commerce Department hands, as an example of the grand delusion, if you will, of government's powers and abilities. If America's small manufacturers relied on a government program for up-to-date strategies and technologies, and exporters depended on Commerce Department bureaucrats to sell their wares, as Commerce Secretary Brown recently asserted at the White House Conference on Small Business, if that were the case, our economy today would be a Third World basket case.

In reality, government doesn't possess the proper knowledge and incentives to be picking industry winners and losers, nor should taxpayer dollars be placed at risk in such futile endeavors. As for expanding U.S. exports, the Federal Government's role should be centered on lowering trade barriers and in terms of boosting economic growth. The economy would be far better served if taxes were cut, boosting incentives to work, invest and take risks, and the Commerce Department terminated.

Third, if you're going to cut spending across the Federal budget, which we at the Small Business Survival Committee certainly urge

Congress to do, then it makes sense to start with the easy cuts. And believe it or not, the Commerce Department is an easy cut.

SBSC supports the idea of the Commerce Programs Resolution Agency, being given a set time period in which to dismantle the Commerce Department and then terminate its own operations. While not offering specifics in terms of budgets and resources for CHRA, we assume it would be a lean entity operating on a portion of the savings from the immediate cuts in Commerce Department programs.

The Small Business Survival Committee does offer a few principles that should govern the Commerce Department termination process. First, the goals and mission of the CPRA should be clear-cut from the beginning. Second is Congress should be strict with its time limitation on the CPRA and try not to leave any door ajar for extensions. Indeed, we urge you to more closely examine whether 3 years are actually necessary to cut out—to undertake this full termination process.

It seems rather lengthy. After all, it does not take a business that was sunk by high taxes and excessive regulations that long to close its doors. To ensure that the CPRA remains a temporary entity that does not turn into a permanent bureaucracy, SBSC suggests that its duties be contracted out to a private firm specializing in organizational overhauls and business downsizings.

The firm's performance would be reviewed regularly while under contract, and indeed Congress could offer incentives to speed up the process of closing the doors of the Commerce Department in order to save taxpayers additional dollars. The CPRA should be viewed neither as an extension of the Commerce Department or as a new agency. It really should be viewed as a temporary transition team to shut down the Commerce Department.

In closing, I would just urge you to be bold. Vast majority of America's entrepreneurs and taxpayers see a clear need for reducing government's role in the economy. Eliminating the Commerce Department should be the beginning of the downsizing of the Federal Government. Thank you again for inviting me here today and I will be certainly glad to answer any of your questions.

[The prepared statement of Mr. Keating follows:]

# Small Business Budget Watch

A special publication of the *Small Business Survival Committee*

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## First Step Toward Budget Sanity: Eliminate the Commerce Department

by Raymond J. Keating  
Chief Economist

Small Business Survival Committee

In fiscal year 1995, the U.S. federal government will spend an estimated \$1.52 trillion. By the year 2000, President Clinton's budget would see total outlays reach \$1.91 trillion. Even the more frugal House of Representatives Concurrent Resolution on the Budget -- Fiscal Year 1996 calls for spending to rise to \$1.78 trillion by 2000.

This seemingly relentless march toward a \$2-trillion federal budget needs to be halted. The United States should be moving in the opposite direction -- downsizing the public sector and freeing up resources for productive, private-sector ventures. A public-sector retreat -- making room for substantial tax cuts -- will allow the private sector and entrepreneurship to advance. Real spending reduction means reversing course toward a \$1-trillion federal government.

Despite the cries from big-government and special-interest circles, much can be cut from the U.S. federal budget. The Department of Energy, Department of Education, Department of Housing and Urban Development, Department of Transportation, the Small Business Administration, bloated welfare programs, and so many other areas of federal largess offer fertile ground for savings opportunities through considerable downsizing or outright elimination. *As the first major step, perhaps no other department deserves to be dismantled more than the U.S. Department of Commerce.*

*"The United States already has an 'industry-driven' process to promote competitiveness. It is called the private marketplace."*

- Murray Weidenbaum, Center for the Study of American Business, as quoted in *Investor's Business Daily*, July 25, 1995

*U.S. Senate Majority Leader Bob Dole referred to the Commerce Department as "the basement of the Federal bureaucracy."*

- As reported by *The New York Times*, July 26, 1995

*"Business subsidy programs cost federal taxpayers more than \$85 billion annually and the dollar amount has been growing substantially in recent years."*

- Stephen Moore and Dean Stansel, "Ending Corporate Welfare As We Know It," The CATO Institute, May 12, 1995

*Former Commerce Secretary Robert Mosbacher recently referred to his old department as "nothing more than a hall closet where you throw in everything that you don't know what to do with."*

- As reported by Karen Kexrigan, SBSC President, *Washington Business Journal*, July 21-27, 1995

**The Grand Delusion.** Supporters of the Commerce Department, most prominently Commerce Secretary Ron Brown, claim that the department serves taxpayers and the economy well by increasing U.S. exports, seeding new technologies, and boosting economic growth. Secretary Brown recently declared: "The work of this department is essential to the economic growth and well-being of this country."<sup>1</sup> The Secretary even asserted at the White House Conference on Small Business on June 13, 1995 that the Commerce Department leveraged a "\$250 million export promotion budget into \$25 billion in overseas sales." He also declared that an end to the Department's Manufacturing Extension Project would leave "America's 380,000 small manufacturers, with nearly twelve million employees, without accessible and supportive local extension programs providing up-to-date strategies and technologies."

Such declarations are, to say the least, most difficult to believe. After all, if America's small manufacturers relied on a government program for "up-to-date strategies and technologies" and exporters depended on Commerce bureaucrats to sell their wares, our economy today would be a third-world basketcase. Brown and other Commerce Department proponents fall prey to the grand delusion of industrial policy.

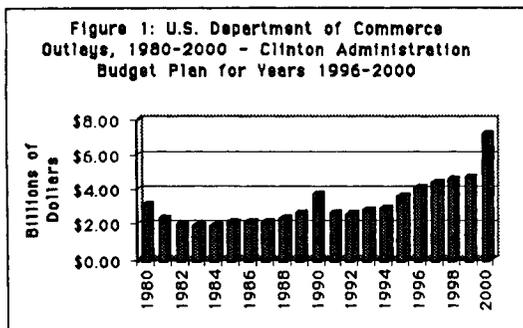
In reality, government does not possess the proper knowledge and incentives to be picking industry winners and losers; nor should taxpayer dollars be placed at risk in such futile endeavors. As for expanding U.S. exports, a productive role for the government is limited to lowering trade barriers. The Commerce Department should not be acting as the international marketing department for certain American businesses, with taxpayers, including other businesses, footing the bill. And in terms of boosting economic growth, the economy would be far better served if taxes were cut -- boosting incentives to work, invest, and take risks -- and the Commerce Department terminated. In the end, individuals buying, selling, creating, and investing in the marketplace always work better than government bureaucrats pushing paper and spending taxpayer dollars.

In addition to its bankrupt industrial-policy mission, the Commerce Department also serves as a "catch all" federal department. It houses large governmental undertakings that have absolutely nothing to do with "commerce," such as the Bureau of the Census and the National Oceanic and Atmospheric Administration.

**Commerce Budget.** The taxpayers' price tag for the Commerce Department is by no means cheap. Federal outlays for the Commerce Department in 1995 are estimated at \$3.6 billion. Figure 1 shows Commerce Department outlays since 1980 and Clinton Administration estimates for 1995 through 2000.

**Dismantling the Commerce Department.** The U.S. Department of Commerce offers a clear opportunity to save taxpayer dollars. The Commerce Department should be closed, with most of its duties terminated or privatized, and the remaining moved to other departments.

- The Bureau of the Census and all other economic and statistical analysis functions at the



Source: *Budget of the United States Government Fiscal Year 1996*

Commerce Department, at the very least, should be moved into an independent statistical agency, along with other statistical and data-collection functions undertaken by the federal government.

However, Jim Miller, former budget director under President Ronald Reagan, offers an intriguing alternative for the Bureau of the Census. He notes that while the Constitution requires a popula-

tion census every 10 years, it does not say a government agency has to perform it. Why not contract it out to a private firm??

- All economic development, travel and tourism, and technology programs should be privatized if possible, or otherwise terminated, including the Economic Development Administration, the Minority Business Development Agency, the U.S. Travel and Tourism Administration, Technology Administration, the National Technical Information Service, the National Institute of Standards and Technology, and the National Telecommunications and Information Agency.
- End the federal government's roles as international marketing department for multinational firms, and a center for raising protectionist trade barriers against foreign goods. The International Trade Administration should be closed.
- Legitimate trade activities -- such as negotiating, implementing, and enforcing free-trade accords -- should be moved to the Treasury Department. The Bureau of Export Administration, though, with its responsibility for overseeing the export of goods that could impact national security, should be moved to the Department of Defense.
- The Patent and Trademark Office should be shifted to the Justice Department.
- As for the National Oceanic and Atmospheric Administration (NOAA), much of this \$2-billion behemoth should be privatized, with remaining duties shifted to other departments. For example, the largest part of the NOAA's budget goes toward the National Weather Service. Heritage Foundation economist Joe Cobb reports that roughly 300 private companies prepare and disseminate weather forecasts, with 85 percent of the American public receiving its weather forecasts from private meteorologists and for-profit companies. The opportunity for substantial privatization is at hand.

**A Revolution Needs Real Commitment.** The Republican Congress is sending out mixed signals on the Commerce Department. Some only want to cut the Commerce budget, but leave the department in tact. Others want to replace the Commerce Department with another, smaller cabinet-level agency, such as a Department of International Trade. These half-measures should be abandoned.

If our federal elected officials are serious about downsizing government, then the Commerce Department truly must be eliminated. An inability to make the easy cuts -- like eliminating Commerce -- would bode ill for the more politically difficult, but clearly necessary cuts down the road. House Speaker Newt Gingrich and Majority Leader Dick Armey issued a statement on July 26 declaring their "firm commitment to incorporate the [Commerce Department] dismantling legislation into the reconciliation bill."<sup>3</sup>

This commitment to eliminate Commerce needs to be unequivocal if we are ever to bring some sanity back to the U.S. federal budget. Otherwise, failure to kill the Department of Commerce would signal severe weakness and perhaps the end of a shortlived revolution.

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#### End Notes

1. As reported by Ted Bunker; "Do We Need a Commerce Dept.?", *Investor's Business Daily*, July 26, 1995.
2. Ibid.
3. As reported by the Bureau of National Affairs, July 27, 1995.

Mr. HORN. Thank you very much. We now go to our second to the last witness. Robert L. McNeill is executive vice chairman of the Emergency Committee on American Trade, otherwise known as ECAT, long before E-mail. I see you've been in existence almost three decades.

Mr. MCNEILL. Mr. Chairman, by way of introducing myself, if I have a talent, it is extending the duration of emergencies. ECAT, the Emergency Committee for American Trade, was formed in the fall of 1967, with the explicit promise by the then chairman, Arthur Watson, of IBM, that this indeed would be an emergency committee; and for those who chose to join, it would be out of business in a period, I think, of 3 months. They made the mistake of bringing me on board and I have been able to continue the emergency for the past 28 years.

Mr. HORN. I'd merely say, hearing that story, that it shows that business is no different than government. Because if you will remember, we had a lot of emergency agencies from the First World War and temporary buildings we were not rid of until the Nixon administration.

Mr. MCNEILL. Right, we have that commonality. Mr. Chairman, the members of my group are large U.S. headquartered corporations who do very extensive business overseas. They employ around 5 million persons and they have annual worldwide sales of approximately \$1 trillion. Their economic vitality and well-being indeed is dependent on active participation in the global market.

We have looked at the Commerce Department dismantling proposal, and while we applaud the initiatives inherent in the effort to eliminate or downsize functions that are not needed or are duplicative, one or the other, we are not convinced in the case of many parts of the Commerce Department that those tests are met in the dismantling legislation.

We are not competent in our organization to make comments about the parts of the dismantling bill, since our competence is focused in the international economic area. We would, therefore, like to limit our comments to the functions that are performed by the Department of Commerce in the international economic arena. And here we are very supportive of those functions, particularly those that are performed in the International Trade Administration and in the Bureau of Export Administration. Our basic recommendation is that the functions performed by those two bureaus be put together in an agency at the cabinet level that will represent the business community, and give the business community in the cabinet room a point of advocacy, just as the representatives of labor, agriculture and others, and indeed the business community currently has.

We very strongly feel the need of a central point of advocacy for the business viewpoint. We would be very unhappy, for example, were the Cabinet to discuss collective bargaining statutes and not have present a Cabinet Officer wearing the hat of the business community so that the business point of view could be expressed.

In specific terms, the dismantling proposal would eliminate two functions of the International Trade Administration that really are essential and important to the business community, functions that are not performed in any other department or agency of the Fed-

eral Government. I have in mind the Office of International Economic Policy, which is the only place in the government where there is repositied the international, economic, and commercial information, by country and by geographic region.

The International Economic Policy Office in the Commerce Department is the part of the Department that has the regional country desks, the regional desks that are very important. I as a user, for example, of information from the government, if I am doing work on India or Latin America, it is the desk official in the Department of Commerce that I turn to. I don't turn to desk officers in the State Department, because their knowledge is different than that of the commercial desks in the Commerce Department.

Similarly, we are opposed to the elimination of the Trade Development Office in the Commerce Department. This group used to be called the Business and Domestic Services Administration many years ago. It is the heart of the domestic part of the Commerce Department. It has repositied in it the industrial knowledge and expertise for the whole government. We require that information in trade negotiations. We would be very much opposed to seeing it eliminated.

Similarly, we are opposed to some of the other transfers from the International Trade Administration to the U.S. Trade Representative and elsewhere. On the Bureau of Export Administration, we would be terribly dismayed if the business community were that Bureau to be transferred to either the State Department in the case of the House budget resolution, or the Defense Department in the case of the Senate.

The Commerce Department represents the interests of the business community in the administration of our export control law. It provides a counterbalance to the Defense Department, whose interest is national security, appropriately, and a counterbalance to the State Department, which administers munition controls, whose viewpoint is different than that, in many instances, from the business community. We would truly be dismayed were the Bureau of Export Administration to be transferred as proposed. The business community's viewpoint would be lost. We believe that exports could be very considerably stifled and the U.S. economy accordingly hurt. Thank you for your patience.

[The prepared statement of Mr. McNeill follows:]

STATEMENT OF ROBERT L. McNEILL, EXECUTIVE VICE CHAIRMAN,  
EMERGENCY COMMITTEE FOR AMERICAN TRADE  
BEFORE THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT  
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION,  
AND TECHNOLOGY HEARING ON  
DEPARTMENT OF COMMERCE DISMANTLING ACT

Wednesday, September 6, 1995

I am pleased to be here today to present the position of the Emergency Committee for American Trade (ECAT) on proposals to eliminate the Department of Commerce.

The members of ECAT applaud the ongoing initiative to downsize government. Where there is unnecessary duplication or lack of purpose for a governmental function, we would favor downsizing. Such is not the case, however, with respect to proposals that would eliminate or transfer to other agencies functions currently performed by the International Trade Administration (ITA) and the Bureau of Export Administration (BXA) of the Department of Commerce. ECAT rather recommends that these functions be retained together in one Cabinet-level department.

ECAT has neither the experience nor competence to comment on proposals that would eliminate or transfer to other agencies or departments the non-trade functions of the existing Department of Commerce. ECAT's 28-year focus has been on foreign trade issues.

ECAT's approximately 60 members are all U.S.-headquartered firms with extensive international business interests. Their annual worldwide sales are over \$1 trillion. They employ about 5 million workers, and they account for a substantial portion of total U.S. exports. They operate facilities in every state and in nearly all 435 congressional districts. ECAT member firms purchase tens of billions of dollars of materials and supplies for their manufacturing and other activities from tens of thousands of small and medium-sized firms throughout the United States.

Among the reasons for ECAT's recommendation that the functions of the International Trade Administration (ITA) and Bureau of Export Administration (BXA) be retained together in one Cabinet-level department is the need for the U.S. business community to have a clearly designated advocate of its views and interests at the highest level of government, just as it historically has had and just as all other major sectors of the U.S. economy have in such Departments as those representing labor and agriculture. The business community believes it appropriate and necessary that when foreign trade issues or other issues vital to the business community such as collective bargaining statutes are discussed by the President with his Cabinet that there be a designated Cabinet officer representing the business

community at the Cabinet table. Absent a business voice being heard, the interests of the U.S. business community and, therefore, the U.S. economy could be damaged.

In recent years the International Trade Administration (ITA) has become increasingly effective in promoting U.S. foreign commercial interests. Its Office of International Economic Policy that has been recommended for elimination contains the country and regional "desks" that are the repository of commercial information for the government as a whole as well as for the business and other private sector communities.

Similarly, the Trade Development function of the ITA which is also recommended for elimination is the federal government's repository of industrial knowledge and expertise. U.S. trade negotiators, for example, receive basic information about U.S. industries from Trade Development officials. Without this expertise, U.S. negotiators could unknowingly conclude bargains harmful to U.S. industries and their employees. While industrial information is available from the private sector, Trade Development industrial experts provide a valuable filter for such information and are better able to relate such information to government programs and the overall national interest.

The proposals to transfer the foreign responsibilities of the U.S. and Foreign Commercial Service as well as the Import Administration that administers Commerce's responsibilities under the antidumping and countervailing duty statutes to the Office of the United States Trade Representative (USTR) would substantially transform the character of USTR from a trade policy staff for the President to a line agency. We believe that this would be extremely unwise. Administering these unfair trade statutes would substantially politicize USTR and undermine its valued "honest broker" role in reconciling differing departmental positions in the conduct of U.S. trade policy on behalf of the President.

We also are opposed to transferring the Bureau of Export Administration (BXA) to the State or Defense Departments. In the overall administration of U.S. export controls, BXA considers the interests of the business community in the context of enhancing the national security. The Defense Department basically reflects national security interests and the State Department basically reflects foreign policy interests. From time to time these interests come into conflict and their resolution is via an interagency process where all sides are heard. We find this process far preferable to transferring the BXA to the State or Defense Departments where the interests of the business community could be substantially diluted in the administration of U.S. export control policy.

As can be expected, ECAT and others in the business community are not wholly satisfied with the administration and policies of the International Trade Administration (ITA) and the Bureau of Export Administration (BXA). Frustration and disappointment with their activities are not uncommon. As in all institutions,

**there is room in these agencies for improvement through better organization and administration. Nevertheless, ITA and BXA are of great importance and value to the business community and to our national ability to export. They represent a central point of business advocacy in the Administration and they perform functions not duplicated elsewhere. We urge that they be placed together in a Cabinet-level department in the interests of the business community and the U.S. economy as a whole.**

Mr. HORN. Thank you very much. And our last witness on this panel, and I'm glad you could make it on such short notice, is Mr. Jeffrey Smith, who is the executive director of the Commercial Weather Services Association. You'll bring a unique perspective to this of the possibilities of privatization. So we're anxious to hear your testimony.

Mr. SMITH. Right, I am happy to say that I represent many of the entrepreneurs who are concerned about the national debt and creating jobs from a somewhat different perspective.

I am here to talk about the single largest component of Commerce, which is NOAA. Our members, which are commercial weather forecasting companies, have grown since World War II, creating new jobs in an industry of approximately 300 to 400 companies.

Our companies range from 2 to 270 employees. Our association members encourage the committee to move forth with the Commerce Programs Resolution Agency, CPRA, by shedding non-essential government functions. We're not talking about contracting out here. We're not talking about public-private partnerships. But we're really talking about is allowing entrepreneurs to create jobs without interference from the government.

I'm interested when I hear that Commerce is an advocate for business. Our industry's experience, which again grows approximately 10 percent per year, we found that often NOAA and Department of Commerce uses taxpayer dollars to compete against our industry. And in fact, Mr. Chrysler is one of the cosponsors of H.R. 1450, which would end that competition in the certain areas of agriculture, fruit frost and aviation.

But as our industry has grown, NOAA has grown even more. It's gone from about \$1.3 billion to \$2 billion this year, 50 percent increase in the last 5 years. We believe that this can be changed and we urge the bill to go even farther than it does, to consolidate, to privatize, and to eliminate overlap in the Department of Commerce.

The first step is to define the Weather Service's core mission, which is the single largest part of NOAA. We heard a lot on the panel this morning about how essential the Weather Service is, which certainly its infrastructure is, but many may not be aware that the Weather Service operates under a statute from 1890, over 105 years ago. And that statute has remained virtually unchanged in over 100 years.

There have been studies that have basically been ignored by the agency over the past few years. The most notable is the Booze Allen and Hamilton study of 1983, which defined the core mission of the Weather Service as operating a data infrastructure, operating computer modeling, and doing emergency warnings of severe weather, the hurricanes and the like, and general public forecasting.

The noncore activities that the Weather Service currently undertakes are industry-specific weather forecasts in products, company and user-specific forecasts, and some public forecasts. What I'm urging is for the committee to consider, along with CPRA, to require the government to focus on its core mission and allow the private sector to provide those services outside that core mission.

In appendix 1, I give a graphical illustration of how this exactly would work. This has already been done in the 1996 NOAA authorization bill, which is marked up by a committee that this bill will be referred to, the House Science Committee. It's in the NOAA authorization bill to change this 105-year old anachronism. We urge this committee to consider encompassing those ideas.

Step two, privatize all noncore weather services. I mentioned some of the services that have already been proposed in H.R. 1450. I have five pages of single-spaced text examples in my appendix. I give examples of where the government, the so-called advocate for business, competes against small business.

Our average member has about 10 or 12 employees, so they're true entrepreneurs. So we believe that there's a large area for privatization. Even the Clinton administration this year identified \$47 million as potential privatization, but has moved forthwith only \$3.3 million. So even if you just take the Clinton administration's number, they are not even 10 percent there yet.

Third, consolidate the overlapping structures of the Weather Service. That should be done in H.R. 1756, we believe, because the modernization program is an important part of the Weather Service and that should be looked at.

Finally, promoting better public access to weather and data information will provide more jobs in the private sector. This committee in the Paperwork Reduction Act encouraged that, and we encourage the issue of user fees and some of the others to be resolved so that those are only at the marginal costs of dissemination and do not compete with the private sector. Thank you for this opportunity.

Mr. HORN. Thank you very much for your testimony. I now yield to the author of the legislation before us, Mr. Chrysler, for questioning.

Mr. CHRYSLER. Thank you, Mr. Chairman. I've got a number of questions. I may not get through all of them in the first 5 minutes.

You know, Mr. Ink, I would like to commend you. Certainly, I think all Federal departments should have at the basis for their mission to eliminate themselves. And so the fact that you presided over one of those, I congratulate you. You know, if we had a welfare system that said, gee, we're going to put together a program that's going to abolish welfare in this country, wouldn't that be a great Federal agency to have?

And I would love to have been here 23 years ago under a Republican President, of course with a Republican Congress, to preside over the dismantling of the Department of Commerce. I was listening to Don Bonker, who is a former Member of Congress, testifying today in another committee that said he had looked at dismantling the Department of Commerce back when he was a Congressman, and they had a budget of \$166 million.

This one, today, has about a \$4.2 billion a year budget, so it's grown quite a bit. And I guess I would ask you, in your testimony, that you did this much quicker and we should act much quicker than 3 years.

Mr. INK. But not the 7 weeks that I did.

Mr. CHRYSLER. But not the 7 weeks that you did, exactly. What do you think is a good timeframe in dismantling an agency of the size that it is today? I would love to have done it back then.

Mr. INK. I suggest in my testimony, in addition to the 6 months of preparation, which I happen to support, 1 year. Now, that 1 year does not mean that everything would be completed. There are audits that would continue on. There are contract disputes that would continue on, but those would be resolved by the receiving agencies. So I would not stretch out the timetable in order to try to encompass all the details that have to be wound up, which probably would last more than 3 years, in a few instances.

Mr. CHRYSLER. In our studying of that department, in looking it over, it took about, from our best estimation, about 3 years to resolve all the commitments that the Department of Commerce had made. You know, unlike in HUD, it would take about 30 years to undo all those commitments. But that's why we came up with that 6-month and then 2½-year period, is because that's what we could see it would take to dismantle and to really wind up all the business commitments that the Commerce Department had.

Mr. INK. I can understand that timetable, but I would, as I say, recommend a somewhat shorter timetable, recognizing that there are some details such as audits and contract resolutions that may extend for 5 or 6 years. But you don't maintain, as I see it, a caretaker agency to take care of all those minute details that will stretch out.

Mr. CHRYSLER. Thank you. And, Mr. McNeill, you mentioned that you were receiving your agency—or your organization received information from the Commerce Department on the economic information of different countries.

In my digging through this process and investigating some of these departments and agencies, we found that actually there was a department in the CIA that had the best information for economic conditions of literally every country in the world. Did you have any success in—or I guess what we're saying is we'd like to be able to utilize some of that information, if it's the best information we can get in government, and we'd like to be able to utilize some of that information in looking at what countries we should be going in for economic development and maybe which companies—countries we ought to be staying away.

Mr. MCNEILL. Yes, I think that that's laudable. As a consumer in the private sector, we don't have access, of course, to the CIA.

Mr. CHRYSLER. OK.

Mr. MCNEILL. We don't have that information. And with no intention of disrespect to the CIA, their economic intelligence is not always what you might call terribly accurate as in the earlier case of forecasting the demise or, if you would, the status of the Soviet economy. CIA information on that was not terribly reliable.

Having said that, I was a government official in my earlier years. I wanted to hire a person to work on a desk in the Commerce Department. I was employed there many, many years ago, before Mr. Ink was in. And—in the government, I should say.

Mr. INK. That does go back a long way.

Mr. MCNEILL. And I hired—I worked with the Bureau of Budget before he worked in the OMB. I went to the CIA and I hired a gen-

tleman who was working there to be the head of one of the county desks that I was responsible for. It is very true that CIA does very good work and has very extensive contacts abroad. I would hope that there is interaction between the Department of Commerce and the CIA in terms of sharing economic information. I believe that that would be the case.

Mr. CHRYSLER. Do I have time for another question?

Mr. HORN. Yes.

Mr. CHRYSLER. Thank you. Mr. McNeill, if we created an agency, an Office of Trade, actually, under John Mica's bill, which has been introduced as a companion bill to H.R. 1756, in which we would try to consolidate the 19 different departments of trade into an Office of Trade that would have a negotiating arm, an export arm and an import arm, and, of course, incorporating advocacy and licensing and those things in those arms. In talking with some of your members of the Emergency Committee for American Trade, they have said that they would like to be part of that, have some input into that, but they said that would satisfy certainly their concern over dismantling the Department of Commerce if they had a true Office of Trade that would make us competitive with our trading partners, like Japan and United Kingdom and France, Canada and other countries.

Mr. MCNEILL. Mr. Chrysler, each Federal department has an interest that differs only in degree in international affairs. The Housing and Urban Development Department, for example, has an Office of International Affairs for cooperation and coordination with housing agencies, you know, around the world, to share information, and frequently to improve the efficiency of our operation and those abroad.

I was in the Kennedy administration at the time that the office of what was then called the Special Trade Representative was created. This, in an indirect way, is an answer, I believe, a partial answer to your question.

I went over from the White House to the Department of Commerce to work for the then Secretary of Commerce, Luther Hodges. In those days, the trade policy of the United States was bifurcated in terms of responsibility for its administration. At the staff level where the real work is done, the Department of State chaired a group that was then called the Trade Action Committee, and it was representative not of 19 agencies in those cases, but of all of the agencies that had an interest. That group in turn, when it developed a recommendation for a U.S. trade policy, funneled that recommendation to the President through the Trade Policy Committee, which was a committee of Cabinet officers chaired by the Secretary of Commerce.

So on the one hand, you had the Secretary of Commerce with the ultimate responsibility for a recommendation to the President, but a recommendation developed at the staff level under the direction of the Secretary of State.

There was a terrible contest in those days over U.S. trade policy. I went, as I said, from the White House to the Department of Commerce at Mr. Hodges' request, and the first day I was there I was invited into his office with all of the secretarial offices of the Commerce Department, which then, sir, there was one Under Sec-

retary, four Assistant Secretaries, and about six Deputy Assistant Secretaries, as compared to the current organization.

At that time we were writing the Trade Expansion Act of 1962, which gave the President authority to negotiate what was called the Kennedy Round of GATT trade negotiations in the 1960's. The Secretary of Commerce, at the prodding of the then Under Secretary, was going over to talk to the President to have written into the Trade Expansion Act of 1962 his ultimate statutory responsibility and authority for the conduct of U.S. trade policy, and he asked if I would square it—I was then young, believe it or not, who had just come over, what do I think?

And I said—this is the answer to your question—I said I thought it would be a terrible mistake because I did not think it appropriate for the representative in the Cabinet of the business community to have ultimate responsibility for administration, coordination and negotiation of trade policy of a country who had a Cabinet, each member of which had an interest in trade policy.

Out of that debate in 1962 flowed the creation of what I believe to be one of the more innovative government institutions and effective institutions and that is the—what is now called the U.S. Trade Representative, then called the Office of the Special Trade Representative. And placing that organization in the Executive Office of the President gave it a Presidential perspective whereby they could take into account the interests of now the 19 agencies and come up with a resolution from the President's perspective rather than the perspective of a line agency.

And I think, therefore—a long answer to your question, verbose answer—that if you were to create a—say a department of trade per se in which you would fold the existing Departments of Commerce and the USTR, that you quickly thereafter—and quickly might be 2 years, it might be 5 years, but I think it would be a fairly short period of time, that you would create again I believe in the executive office or in the White House itself a responsibility for the conduct and administration and development and negotiation of trade policy which we have in the USTR.

So really, Mr. Chrysler, don't believe that you can take from the 19 agencies and put into one. I don't think it would be administrable, and I think you would leave departments bereft of responsibilities that they are liable to their constituents for, whether they be farmers, fishers or whatever else.

Long answer, and I hope I didn't obfuscate too much.

Mr. CHRYSLER. Obviously only 4 percent of the Department of Commerce has anything to do with trade, 4 percent of their budget, and certainly they are not the lead agency in trade. And that is why, as we look at dismantling the Department of Commerce, as allegedly as it is called, the Office of Business, which of course if it were the Office of Business, it would, in fact, be supporting and advocating a balanced budget, capital gains tax, tort reform, regulatory reform, all those things that businesses need in order to be—to produce their products at the best possible price.

We have over \$550 billion worth of regulation that has come down on American businesses, and the Department of Commerce is not advocating getting rid of any of those; and it makes us un-

competitive in global markets when we have to add those kinds of costs to our products.

So I guess what I am trying to do here with dismantling the Department of Commerce is giving us a better opportunity to compete worldwide and certainly to do something for business finally rather than being almost a—because even NOAA, which I would like to address to Mr. Smith next, even NOAA has become more of a regulatory agency, more of an impediment to business in their areas of fisheries and things like that than any kind of advocate for business.

Mr. MCNEILL. We in ECAT share everything you have just expressed, Mr. Chrysler.

Again, I want to come back to something that was asked earlier by Chairman Clinger before he left, and it has come up several times, and you sort of hinted at it here.

As representative of the business community, I can give you a concrete example why we in ECAT believe that we need somebody sitting in the Cabinet representing business interests. Not too many years ago, the United States pursued policies to strengthen and maintain a strong United States dollar in terms of its exchange rate with the Japanese yen, the German mark and other currencies. We indeed did have a very strong dollar in those days. You could buy 360 Japanese yen for \$1 compared to 96 and 97 yen today.

But the consequence of that was that the strong dollar priced American exports out of the world markets—very, very significant reduction in our exports—as it strengthened, the dollar strengthened. The Secretary of the Treasury at that time was very proud of the strong dollar. He thought it was an illustration of American strength and he was not amenable to making changes in U.S. policy in respect of the exchange value of our currency.

The then Secretary of Commerce, Malcolm Baldrige, one of the more effective Secretaries, argued vehemently on behalf of my members and others like us who export that we needed a different approach. And indeed we ultimately got it, but it was through the advocacy of the then Secretary of Commerce that we were able to achieve a change in overall administration policy under the control of, in this case, the finance secretary. So we would hate to lose that.

Mr. CHRYSLER. I would contend that we have that with a guy like Alan Greenspan, people like that who are a good strong voice for stabilizing the dollar.

Let me just—

Mr. HORN. If the gentleman would yield, I would like to pursue this dialog and close that out and then go to Mr. Smith, if that is acceptable.

Mr. CHRYSLER. OK.

Mr. HORN. Let me get into the interests—Mr. McNeill, I think you make a very good point about the early origin of the Trade Representative, and that is what I want to pursue.

I think it is pretty obvious that one Cabinet officer cannot coordinate other Cabinet officers, even when the President gives them the assignment. There is always the usual backbiting, institutional cultures, and every President from Harding up, the first President

that had the executive budget, has felt that Cabinet officers sold out to their agency and quit following what the President wanted done, and I have never known one President that didn't have that feeling at one time or another.

What concerns me here is, if we—obviously, we all agree we should keep the U.S. Trade Representative and that ought to be at the Office of the President, Executive Office of the President level.

Now, you mentioned here in your testimony that your worry is, and you don't want to see lost in the process, the International Trade Administration, particularly its Office of International Economic Policy and the Bureau of Export Administration, and you don't think it is a good idea to transfer them to either State or the Department of Defense. So then comes the question as to the degree to which a bureaucracy that is processing certain bits of paper sometime in this area or keeping certain paper should become part of the Office of the U.S. Trade Representative.

Since you just can't leave two agency bureaus out there if you get rid of the Department of Commerce, what is your solution for that problem? Would you make them part of the Office of the U.S. Trade Representative, just move those two bureaus over there?

Mr. MCNEILL. No, sir, I would not do that. I would rather see, obviously, what we are recommending. The principal reason—a principal reason I would not want to see that occur is that you would then transform what is now a very effective and efficient staff arm of the President into an administering agency with line functions that are very considerable.

The United States and Foreign Commercial Service, for example, has 130 overseas offices with innumerable employees. Were the responsibility for administering the import administration law, the antidumping law and the countervailing duty law also be transferred to the U.S. Trade Representative, as proposed here, you again would be giving a very substantial line function to the President's staff office and putting the President's office in, I think, an unnecessarily political posture that he might want to avoid through the administration of these particular statutes.

They are very, very politicized, as anybody who serves in the House or the Senate knows. They are very political statutes and very controversial. I think that would diminish the focus of the Special Trade Representative himself and the function of his office. I think it would be not advanced.

Mr. HORN. It seems to me the option is to sort of do for these bureaus what the USIA has done. There is some analogy there.

As you know, in every embassy you have the Public Affairs Officer, which is the, in essence, Chief of Mission for USIA, and you have the Cultural Affairs Officer, and USIA, until recently, and the attempt of the Congress to put it more directly under the Secretary of State, has, in essence, been an independent agency. You try to get coordination out of USIA in relation to State. They are not housed in the same building as USAID is, and both those agencies, of course, we voted to put them under the Secretary of State where, frankly, a lot of us thought they were for a long time and a powerful Secretary of State with the ear of the President. They were under the Secretary of State.

But that seems to me that is your only option here, to get those bureaus and the commercial attaché service off and into independent agency status, which doesn't have Cabinet status.

What we are talking about, frankly, is also slowing down the overcrowding that has bollixed up communication within the executive branch. I think, personally, the President's span of control is too long and too wide; and he ought to get down to essences of those things that really require a political judgment and are controversial. That is what we pay Presidents for, deal with controversial matters. Don't just preside over a collection of placid bureaucracies that go about their business in a professional way.

So do you see any other alternative besides taking those bureaus, commercial attaché service, putting it in an independent agency, much like USIA has been, and when you need the information, you have got it? You call on independent agencies from the White House, just like you would call on any other Cabinet department.

Mr. MCNEILL. I obviously would prefer to have the head of that agency, as we are recommending, with the prestige and authority of a Cabinet officer. I think if you put these responsibilities at different levels than that you are going to lose them.

As the Commerce function, as you have just touched on, when it was in the—under the control of the Department of State, it was the lowest rung on the professional ladder for any Foreign Service officer who wanted to advance. If you were given a commercial assignment, that was the kiss of death. You had to become a political officer or you had to become an economic officer, and to put the foreign commerce service back under that sort of a set up, I think, would be enormously damaging to U.S. exports.

Mr. HORN. Well, as I say, USIA hasn't been damaged. I found them some of the most effective people I have ever seen in government, and they weren't at the Cabinet table. They just did their job.

Now, obviously, they got policy guidance from the President, the Secretary of State, and that was formulated through the usual national security policy apparatus, but it seems to me we have got to park some of these people somewhere and not everyone is going to sit at the Cabinet table.

Every President after election appoints task forces. I have been on some of those. And of course every interest group in Washington wants to have an office in the White House, a Cabinet department, and this is nonsense. You just can't do that.

The question is, how do you slim this huge beast down so the President can get something done? Right now, he has got so many people clogging up communication systems that it is very hard to get it done.

I remember Truman's comment about Eisenhower, the old general will come in here, make a decision and 6 months later find out nobody has carried it out. He sold short Eisenhower who put some organization in the White House, the first organization that it had since George Washington. And things did get done, and he did followup on it.

Some departments do it without a lot of flamboyance and no great press secretaries running around, although Haggerty was

probably the best of the bunch, but he did it low key. It got done. Decisions were made. Decisions were followed up.

But we are a long way from that now. We have got almost immobility in the executive branch and I worry about the business place in the Cabinet. I really don't see it.

It depends on the administration. It depends on if they are pro business to start with. If you have a businessperson in the Cabinet, often they could be at the spot of the Secretary of Treasury, as was mentioned, or one of those.

But I just think if we are going to be realistic, we have got to—and these are valuable functions—we have got to think of putting them in a small, independent agency, let them do their job, get a first-rate person in there that is a professional and not weaving in and out but will get the job done for any President.

Mr. MCNEILL. We just plead with you, sir, that if you do that, you make the head of that agency a Cabinet official.

Mr. HORN. Well, I am just saying I think there are too many people around the table now and, anyhow, Mr. Chrysler, proceed.

Mr. CHRYSLER. Yes. That was a great piece of history there, Steve. I enjoyed that immensely.

Certainly, going back to Mr. Smith, 60 percent of the Department of Commerce obviously has nothing to do with the Department of Commerce, or the biggest parts of that being NOAA. When I was testifying earlier in front of this panel, I had walked in, I sat down, and somebody asked me about NOAA and their revitalization of the fleet and one thing and another. And I thought about it for a minute, and I used a number of \$2 billion, and I would like to correct myself. I went back and looked and it is \$4.5 billion to renew the NOAA fleet.

I guess in looking at NOAA and the weather service, the weather service is part of NOAA and in the other part, a couple of things. Could you give us your opinion of both sides of NOAA? You have talked a little bit about the National Weather Service. The other side of NOAA which deals with the fleet and mapping and research and those kind of things, in your opinion, what can we—what does H.R. 1756 do right and/or wrong?

Mr. SMITH. I think it takes the right approach on some parts of the other side of NOAA. NOAA corps, which, as you mentioned, has uniformed officers, has been proposed to be eliminated since the first Reagan budget. It has been to many, insofar as editorialists and others, a point of laughingstock for 13 years. So I think certainly that element is very important.

The other part, insofar as fishery management, that is a very controversial area and one that, in my opinion, many of the local fishery councils have performed a sufficient role, that it may be time to look at whether or not—again, on a cost-benefit basis when you have a \$4.85 trillion debt compared to—can you allow the State and local government or a local fisheries council do it? It might be better to have some Federal Government involvement merely as oversight.

But I think when you read in the newspapers and on TV and they talk about NOAA or they talk about the Commerce elimination, they talk about how people are going to lose weather services or they are going to lose this or that. And what is amazing is

both the newspapers in Washington, all of the three networks and all but two radio stations are all done by private meteorologists. So I think what people see when they are arguing for NOAA is not so much the wet side that you are talking about insofar as the fisheries, but the dry side, which is the weather service, and I think there is a lot of specious arguments in there.

Because, again, 85 percent of the weather the public receives is from the private sector, whether it is CNN, whatever local network. Only national—public radio and WTOP are the only ones in Washington that you can get a weather service forecast. So let's not let people say the sky is falling if some of this happens.

Mr. INK. Mr. Chrysler, could I add a comment?

Mr. CHRYSLER. Sure, please.

Mr. INK. It was never intended that NOAA be a permanent part of the Commerce Department.

Mr. CHRYSLER. You are just the person I want to hear this from, I bet.

Mr. INK. Yes. I had responsibility for the reorganization plan that established NOAA, and it was contemplated to be a part of Mr. Nixon's proposed Department of Natural Resources.

At that time, the Interior Department was headed by the individual that could not manage the Interior Department. He was in terrible difficulty. And, rightly or wrongly, it was felt that NOAA could be parked in Commerce pending the establishment of the Department of Natural Resources. Whether that was a good or bad decision, history I guess can determine, but it never, ever was intended to be a permanent part of the Commerce Department.

Mr. CHRYSLER. Thank you. I had heard that through the grapevine. It is great to have it verified by somebody that was actually there. It is amazing the rumors and the other things that you hear when you start investigating 100 different programs like this and the stories you hear, and it is always great to have one confirmed.

Just one last real quick if I could. Several witnesses have suggested that establishing the CPRA complicates the dismantling of the Department and may cause delays. What are any alternatives to the CPRA approach? Do any of you have that? Should the OMB have a larger role or does it have the capacity to perform a larger role with the CPRA?

Mr. INK. I guess I was the one that spoke most strongly that I thought it unduly delayed and complicated the process.

First, I agree with the chairman that I think the OMB should have a much stronger role. Unfortunately, the OMB management has been greatly weakened in recent years; therefore, it cannot carry its heavy load as I would like to see. But, nevertheless, I think it would be very, very useful and I would recommend that the authority go to—if the CPRA mechanism is retained, that the authority go to OMB and then to CPRA.

I would feel, however, that the committee ought to give very serious consideration to establishment of the Office of Management and Budget—I mean the Office of Management, along with the Office of Budget, because that office would be in a far better position to do what you are contemplating and could handle other reorganizations, other eliminations, and other consolidations as they come

down the pike. I think it is unfortunate to set up something just for this one instance.

I would also say that I think it is extremely important that there be very heavy reliance upon the career people if you want a fast elimination. They know how to do it. They have the information that no one else does.

And when I was closing down CSA, there were proposals that I was pressed to bring in a number of political appointees, and a number of businesspeople. I rejected that because I wanted to get on with the business. I wanted to do it quickly, I wanted to do it efficiently, and I wanted to do it at low cost. And that approach worked.

Mr. CHRYSLER. Does anybody else have any comments on other alternatives to the CPRA?

Mr. KEATING. If I could, Mr. Chrysler, the one thing—when we were kicking around some ideas in our organization on these issues—one of the things that I always come back to—as a supply side economist—I always come back to incentives. And one of the reasons that we suggested the idea of possibly going outside to companies that specialize in reorganizations, downsizing, and so on is the idea of incentives. There aren't too many positive incentives in government, although I imagine if you set something up separately in the office of OMB you could get the proper incentives.

I always look to the private sector first, and I think the idea of going outside to a consulting firm, investment banking firm, whatever, companies that have experience—experience in a business community—I think they have the incentive to come in, get the job done and get out. And you can set up a contract with that firm to set up certain incentives where if they get it done quicker than you imagine, great, they get a little extra in terms of their compensation.

So one thing that I always come back to is, what are the incentives and can you go to the private sector? That is always my inclination—where in the private sector can you go to get the job done before you look inside government?

Mr. INK. I totally disagree. I think closing a business, is very different from closing an agency. They are entirely different legal systems. The financial systems are very different.

We have in the government close to 500 members in a board of directors, which is quite different from what one experiences in the private sector. One has to be responsive and accountable to the public, which is very different from a business. You bring in a consulting firm, and it will take them all of this time to just learn the system and learn the impact of changes, the impact of close-down. I can assure you that going to the business community will take a lot longer and cost a lot more.

Mr. KEATING. One thing that I would say to counter that is of course they could go and hire individuals such as yourself to help along that process. So I think, in terms of accountability to the public, obviously that is there, but really at the policy level. I mean, Congress and the President, are going to set those policy decisions. They are going to say the Commerce Department has to be eliminated. Let's get the job done as quick as we can.

Mr. CHRYSLER. It is the biggest business in the world, the U.S. Government.

Mr. Smith, you had one comment.

Mr. SMITH. I think you need to follow the—in privatization, which I have been involved with for—was one of the researchers and coauthors of one of the original books on it back in 1982, you need to look at the British model. You need to look at the incentives, exactly what Mr. Keating said. Write a contract and say, if this is not sold by this date, this is done.

That is how we in the private sector operate. If I am paid to deliver a tire or a product or widget to some company and I don't deliver it, I don't get paid. So I think you have to build that in, because a lot of government contracts don't have that and that is one of the major problems with cost overruns. So I think you need to put that right in if you are going to work with a consulting firm, which is probably the route to go.

Mr. INK. But that is not what the British did.

Mr. SMITH. What they did is sell shares. And I think what the incentive is, to get the public behind the privatization of various elements, and so I think you take a little bit of—different approaches from different experiences.

Mr. INK. But that is just not the way it worked in Britain, is my point.

Mr. HORN. What did the British do?

Mr. INK. The British did not bring in consulting firms to handle the process. They did that through the governmental mechanism. The privatization was an outcome of that. And I am not disagreeing with the idea of privatizing, but that is different from the mechanism for consolidating or eliminating departments.

Mr. HORN. Well, I think behind all this—and it is mentioned in Mr. Bingman's testimony, which unfortunately he wasn't able to deliver—is that political judgments have to be made that are very clear as to what is going to be done. And usually Congress and Presidents are reluctant to make very clear, distinct political judgments. They are trying to paper over the differences between opponents, and when you do that, you leave a mess for people to try and carry out.

And that is why we need to take a look at this from the point that I think has been brought out by this panel and the previous panel. The actual transition time and the need to keep somebody in there that can represent Commerce in its demise. They still have functions to carry out. You are not talking about just picking up any master in bankruptcy to come over and take over the building for a day. You are talking about ending programs in some logical way, still having to make the arguments that have to be made.

And my own feeling is you probably ought to leave whoever the current Secretary of Commerce is in there if they are committed to that and you are the President. The President is the chief executive. He is the one who is charged with carrying out this—whatever we pass. And then you have got the institutional memory we are talking about in the Office of Management and Budget, and whether you can ever slice that off into a separate Office of Management I think is dubious personally, unless you have the cooperation of the President. But certainly that function ought to be there so we

don't have to reinvent the wheel every time we change something or try to eliminate something.

I don't know if any of you want to add to that, but I would welcome it, and we will close it out on that issue. Anybody want to comment on that?

Mr. INK. I strongly support that concept. I think it is very important, and I think it is long overdue.

Mr. HORN. Well, we are going to work on that, and Mr. Chrysler is going to take all this into account and come in with a substitute, I am sure, that brings some of this together.

Mr. CHRYSLER. I want to thank all of you for being here and spending all your time, and it has been very educational both from your perspective and the chairman's perspective so I have gained a great deal for this.

Mr. HORN. We thank all of you for coming, appreciate it. Sorry it took you through the lunch hour, but that is the way we work around here.

Let me just thank a number of people that helped prepare this hearing.

For the majority, J. Russell George, the staff director; Mark Uncapher, who is to my left, the professional staff member and counsel to the subcommittee; Council Nedd, professional staff member; Tony Polzak, legislative fellow; Cheri Tillett, the assistant chief clerk for the full committee; and Cissy Mittleman, the professional staff member for the full committee.

And representing the minority staff, Dave McMillen and Dan—our intern. We are loaning him to the minority. Official reporters, Jody Goettlich and Sara Watt. Thank you both.

So, with that, the meeting is adjourned.

[Whereupon, at 1:25 p.m., the subcommittee was adjourned.]

