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Overall costs of transportation and storage would appear to be lower at these sites.

Therefore, I believe Hanford and Savannah River offer excellent sites for the temporary, dry cask storage of civilian spent nuclear fuel until a permanent geologic repository is available. At this point, I would like to make clear my support for continued progress toward a permanent geologic repository. Hanford and Savannah River already have defense nuclear waste and spent nuclear fuel from defense and research activities that is destined for the permanent geologic repository. This proposal is intended to hasten the day that those wastes, as well as the civilian spent fuel, are sent away from the sites for permanent disposal. I realize that at this time, nobody wants to store nuclear waste. Incentives must be offered. The communities near Hanford and Savannah River will understandably ask, what's in it for us?

I would be prepared to pursue benefits for these communities if they are inclined to take spent commercial fuel on an interim basis only. First, I am working with several of my colleagues to develop legislation that will prioritize DOE cleanups in accordance with actual risks. That approach will result in Hanford and Savannah River being cleaned up faster, since many of the high-risk problems are located there. Second, I am encouraging the privatization of efforts to vitrify—or turn into glass—high-level liquid wastes at Hanford. This is the best way to stabilize the liquid tanks and make them safe.

Third, we are offering new construction and economic activity associated with the construction and operation of an interim, above ground, dry cask storage site. This will help address the job losses and economic declines associated with the end of defense-related activities at Hanford and Savannah River. Fourth, there are other arrangements, including financial incentives, that can be considered. Whether or not DOE continues to exist as a Cabinet-level agency, its functions and operations will be significantly scaled back. As the various DOE sites compete for the remaining missions, special consideration could be given to a site that hosts the interim storage facility. Other benefits to communities agreeing to host an interim storage site can also be discussed.

Finally, to provide assurances to the local communities of Richland/Pasco/Kennewick, WA; Aiken, SC; and Augusta, GA, that the interim dry cask storage sites are not intended to be permanent, work on Yucca Mountain will be continued. Remember, there is already spent nuclear fuel at these sites that is destined for a permanent geologic repository, when one is available. It is in the long-term interest of these facilities to participate in a program that will take care of the immediate problem so that the work on the permanent repository can go forward.

In addition to selecting a site, there are four elements that we should include in a legislative bill dealing with spent nuclear fuel. First, in order to construct a central interim storage facility in a timely manner, changes must be made in the Nuclear Waste Policy Act. These amendments should provide: that licensing of an interim storage facility can begin immediately; that the interim dry cask storage site can be constructed incrementally and that waste acceptance can begin as sections are completed; that the NRC will be the sole licensing authority; short-term renewable licenses to ease NRC rulemaking; and that DOE will be treated like a private licensee.

Second, to help ensure that the spent fuel can be moved from reactor sites to interim storage as soon as possible, a transportation system must be developed. Legislative changes would provide: that utilities are responsible for obtaining casks; that DOE will take title to fuel at reactor site; that DOE will be responsible for delivery; and a clear regulatory regime related to the transportation of spent fuel.

Third, to ensure that Yucca can be licensed, we should streamline licensing provisions, specifying repository performance standards.

Finally, fourth, a budgetary framework must be established that ensures that the money put into the Nuclear Waste Fund by the ratepayers is available to the program in amounts sufficient to achieve the first three goals in a timely and efficient way.

These draft proposals outline a workable and efficient interim storage program that would allow us to pursue the investigation of our permanent disposal options, including a full study of the Yucca Mountain site. However, one lesson we have learned is that we cannot put all of our eggs in one basket. We cannot solve every nuclear waste and spent fuel issue before this country in this Congress. However, we can set up the beginnings of a workable, integrated nuclear waste management system that will allow succeeding generations to apply new technologies to these problems.

In conclusion, I have given a basic outline of principles Congress must address if we are to solve these two major environmental problems. As chairman of the Committee on Energy and Natural Resources, I pledge to continue our goal of reaching a common sense and comprehensive solution. We'd like to do that with the help of President Clinton and his Department of Energy. So far, I have not seen sufficient indication they really want to be a part of any solution. Unfortunately, this issue is not one where America can be without leadership. I will look forward to working with all of those who have an interest and concerns to resolve what is undoubtedly one of America's most frightening problems, the management of waste left at DOE defense weapons facilities, while providing a legislative framework for DOE to meet its obligation to take possession of the Nation's civilian spent nuclear fuel.

FOREIGN OWNERSHIP OF TELECOMMUNICATIONS

Mr. BYRD. Mr. President, the distinguished Majority Leader has indicated that, when the Senate returns from the upcoming recess, it will take up S. 652, the "Telecommunications Competition and Deregulation Act of 1995." As my colleagues are aware, this is a very important piece of legislation dealing with many aspects of the complicated, fast-changing marketplace in telecommunications and the many competing commercial interests in that marketplace.

Of great interest is the international marketplace in telecommunications equipment and services, which is extremely lucrative, and is subject to the many of the same kind of barriers to entry for American companies that we see in other business sectors. Currently, the US Trade Representative, Ambassador Mickey Kantor, has initiated a 301 case against the Japanese in the area of automobile parts, after years of frustration in trying to gain fair entry into the Japanese market—just as the Japanese have access into the American market, and the Senate has strongly endorsed this action. Similar problems exist in the telecommunications field, and the bill as reported from the Commerce Committee includes a provision to protect our telecommunications companies from unfair competition. The provision requires that reciprocity is needed in the international marketplace, and in adjusting the rules for foreign ownership of telecommunications services in the U.S., the host countries of those businesses seeking market access in the U.S. allow fair and reciprocal access to our telecommunications providers in those nations.

This is a case of fairness, and the Committee has wisely included needed leverage for the Administration to prod our trading partners into opening their markets.

Given the highly lucrative nature of the telecommunications marketplace, the stakes of gaining market access to foreign markets are high. It should be no surprise that securing effective market access to many foreign markets, including those of our allies, including France, Germany and Japan has been very difficult. Those markets remain essentially closed to our companies, dominated as they are by large monopolies favored by those governments. In fact, most European markets highly restrict competition in basic voice services and infrastructure. A study by the Economic Strategy Institute in December of 1994 found that "while the U.S. has encouraged competition in all telecommunication sectors except the

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local exchange, the overwhelming majority of nations have discouraged competition and maintained a public monopoly that has no incentive to become more efficient." U.S. firms, as a result of intense competition here in the U.S., provide the most advanced and efficient telecommunications services in the world, and could certainly compete effectively in other markets if given the chance of an open playing field. The same study found that "U.S. firms are blocked from the majority of lucrative international opportunities by foreign government regulations prohibiting or restricting U.S. participation and international regulations which intrinsically discriminate and overcharge U.S. firms and consumers." This study found that the total loss in revenues to U.S. firms, as a result of foreign barriers is estimated to be over $100 billion per year between 1992 and the turn of the century. These are staggering sums.

Thus the administration has adopted an aggressive incentives-based strategy for foreign countries to open their telecommunications services markets to U.S. companies. First, as my colleagues are aware, the negotiations which led to the historic revision of the GATT agreement and which created the World Trade Organization were unable to conclude an agreement on telecommunications services. Thus, separate negotiations are underway in Geneva today to secure such an agreement, in the context of the Negotiating Group on Basic Telecommunications. In the absence of such an agreement, we must rely on our own laws to protect our companies and to provide leverage over foreign nations to open their markets. To forego our own national leverage would do a great disservice to American business and would be shortsighted—the result of which would be not only a setback to our strategy to open those markets, but pull the rug out from under our negotiators in Geneva to secure a favorable international agreement for open telecommunications markets. Indeed, tough U.S. reciprocity laws are clearly needed by our negotiators to gain an acceptable, effective, market opening agreement in Geneva in these so-called GATS [General Agreement on Trade in Services] negotiations.

Second, the bill as reported by the Commerce Committee supports a strategy to provide incentives for foreign country market opening by conditioning new access to the American market upon a showing of reciprocity in the markets of the petitioning foreign companies. Current law, that is section 310 of the Communications Act of 1934 provides that a foreign entity may not obtain a common carrier license itself, and may not own more than 25 percent of any corporation which owns or controls a common carrier license. This foreign ownership limitation has not been very effective and has not prevented foreign carriers from entering the U.S. market. The FCC has had the discretion of waiving this limitation if it finds that such action does not adversely affect the public interest. In addition, the law does not prevent some kinds of telecommunications businesses, such as operation and construction of modern fiber optic facilities or the resale of services in the U.S. by foreign carriers. Nevertheless, maintaining restrictions on foreign ownership is generally considered by U.S. industry to be useful as one way to raise the issue of unfair foreign competition and to maintain leverage abroad. Therefore the bill establishes a reciprocal market access standard as a condition for the waiver of Section 310(b). It states that the FCC may grant to an alien, foreign corporation or foreign government a common carrier license that would otherwise violate the restriction in Section 301(b) if the FCC finds that there are equivalent market opportunities for U.S. companies and citizens in the foreign country of origin of the corporation or government.

Even though Section 310 has not prevented access into our market, the existence of the section has been used by foreign countries as an excuse to deny U.S. companies access to their markets. The provision in S. 652, applying a reciprocity rule, makes it clear that our market, will be open to others to the same extent that theirs are open to our investment. This is as it should be.

Given the importance of this provision, and the tremendous stakes involved in the future telecommunications markets worldwide, a number of issues regarding the provision have been raised, including the role of the President in reviewing FCC decisions, how the public interest standard should be applied, whether our negotiators should have wide authority to exercise leverage among telecommunications market segments, to what extent Congress should be informed and involved in the developing policies which effectively define the American public interest, the impacts of the legislation on the ongoing negotiations in Geneva for a multilateral agreement, what mechanisms are needed to ensure that promises for market access turn into reality by foreign nations—after the ink on an international agreement is dry—and several other matters.

In order to clarify and develop a fuller understanding of the ramifications of the provision of S. 652, I wrote Ambassador Kantor on April 3, 1995, soliciting his views in five areas: First, the impacts of the provision on the ongoing telecommunications negotiations in Geneva; second, the nature of foreign market behavior that would trigger action under the concept of reciprocity in the bill; third, the likely reactions of foreign governments to the provision; fourth, the most useful role that the United States Trade Representative can play in implementing the proposal in the bill; and, fifth, his suggestions for any changes which might strengthen the effectiveness of the provision. I received a very full reply from Ambassador Kantor on April 24, 1995, which I ask unanimous consent be printed in the RECORD at this point. I commend the Ambassador for his attention to this matter, and am sure that his reply will be useful to the Senate when the bill comes to the floor. I hope that the Senate will have a good debate on this particular provision, and hope that we will seize this historic opportunity to put into place effective reciprocity tools to truly open the world's economies to opportunities for American genius and labor.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

APRIL 3, 1995.

Ambassador MICKEY KANTOR,
U.S. Trade Representative,
Washington, DC.

DEAR MR. AMBASSADOR: The Senate will soon take up S. 652, the Telecommunications Competition and Deregulation Act of 1995, to promote competition in the telecommunications industry. I am writing to solicit your views on the revision of foreign ownership provisions, specifically the revision to Section 310(b) of the 1934 Communications Act.

As you may know, the Commerce Committee's reported bill would allow the FCC to waive current statutory limits on foreign investment in U.S. telecommunications services if the FCC finds that there are "equivalent market opportunities" for U.S. companies and citizens in the foreign country where the investor or corporation is situated.

I would like to have your assessment of the impact of this provision for both enhancing the prospects of U.S. penetration of foreign markets, and for foreign investment in American telecommunications companies and systems.

Specifically, what impacts and advantages can we anticipate will result from enactment of this provision on the ongoing negotiations in Geneva on Telecommunications which has been established under the GATT, to be incorporated into the General Agreement on Trade in Services?

Second, which markets in Asia and Europe are now closed to U.S. telecommunications services in such a way that action on the basis of the concept of Reciprocity in the Senate bill is likely? What timeframes for such action, if any, would you contemplate?

Third, what has been the position of nations whose markets are closed to U.S. telecommunications services in the way of justifying their lack of access, and what likely reactions can we anticipate from those nations as a result of this legislative provision?

What role do you think can be most usefully played by your office in effectively implementing the provision that has been recommended?

Lastly, in analyzing the legislation reported from the Senate Commerce Committee, do you have any suggestions as to how the provision might be strengthened to better serve the goal of opening foreign markets to U.S. telecommunications services and products?

Thank you for your attention to this matter.

Sincerely,

ROBERT C. BYRD.

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THE U.S. TRADE REPRESENTATIVE,
Washington, DC, April 24, 1995.

Hon. ROBERT BYRD,
U.S. Senate,
Washington, DC.

DEAR SENATOR BYRD: This is to respond to your letter of April 3, 1995 regarding S. 652, the "Telecommunications Competition and Deregulation Act of 1995" and its proposed revision of Section 310(b) of the Communications Act of 1934. The Departments of Commerce, Justice, State and Treasury have concurred in this response to your letter.

The Administration and the U.S. telecommunications industry are united in their support for Congressional action to revise the foreign ownership rules under Section 310(b). As Vice President Gore indicated recently to our G-7 partners, the Administration seeks legislation to allow us to open further our common carrier telecommunications market to the firms of countries which open their markets to the American common carrier telecommunications industry. This would contribute greatly to the development of the Global Information Infrastructure (GII).

As you know, the U.S. leads efforts in the World Trade Organization (WTO) aimed at reaching a market-opening agreement on basic telecom services. The U.S. negotiating team—led by the USTR with representatives from the Departments of Commerce, Justice, State and the Federal Communications Commission—has successfully advanced U.S. objectives at the WTO talks.

I have attached detailed responses to each of your five questions. By amending the legislation as we suggest, the Congress would provide effective market-opening authority for both multilateral and bilateral negotiations on basic telecommuncations services.

We stand ready to work with you to develop legislation which can serve our shared interest in a stronger U.S. economy and the development of the Global Information Infrastructure. We would also be pleased to provide your staff with a briefing on the status of major telecom services markets in Asia, Europe and Latin America at their convenience.

Sincerely,

MICHAEL KANTOR.

Attachments.

1. Specifically, what impacts and advantages can we anticipate will result from enactment of this provision on the ongoing negotiations in Geneva on Telecommunications which have been established under the GATT, to be incorporated into the General Agreement on Trade in Services?

Answer: the U.S. maintains one of the world's most open and competitive markets. Our objective in this negotiation is to obtain firm commitments regarding similar levels of openness in the markets of other important trading partners.

Legislation providing the Government with effective market-opening authority with respect to Section 310(b) could have a powerful positive effect on these talks. Section 310(b) is regarded by foreign companies as a major barrier to market access in the United States. That perception is out of proportion to the actual effect of Section 310(b). Authority to remove this restraint through international negotiations or on the basis of similar levels of openness could lead in turn to the removal of ownership restrictions and monopoly barriers to U.S. companies in key markets abroad.

U.S. firms are successful global players in the common carrier telecommunications industry. Telecommunications companies in many major developed countries regard access to the U.S. market as a strategic imperative. Legislation providing the Government with effective market-opening authority is essential if we are to level the playing field for U.S. firms. This authority would greatly enhance the prospects for U.S. penetration of foreign markets—markets that now are sanctuaries for our companies' top competitors. At the same time, it would benefit the U.S. economy by greater openness to foreign investment in this growing sector.

2. Second, which markets in Asia and Europe are now closed to U.S. telecommunications services in such a way that action on the basis of the concept of reciprocity in the Senate bill is likely? What time frames for such action, if any, would you contemplate?

Answer: Most markets in Europe, Asia and elsewhere have monopoly arrangements which prohibit or restrict both foreign ownership of basic telecommunications infrastructure and provision of basic services. For example, most Member States of the European Union have voice telephone service monopolies, which they plan to maintain at least until 1998. The European Union and its Member States may introduce reciprocity provisions on foreign ownership in the absence of a successful conclusion to the WTO negotiations. In Japan and Canada, foreign ownership of firms that own telecommunications infrastructure is restricted to 33 percent.

Foreign governments remain cautious about allowing competition to firms which remain state-owned or controlled. In the past these companies have been regarded mainly as state-managed sources of employment and demand for domestic high tech goods.

Our key trading partners are much more likely to open their basic telecom services markets to U.S. companies in return for a balanced market-opening commitment by the U.S. which includes changes to the restrictions on common carrier radio licenses in Section 310(b). Unilateral action by the U.S. to eliminate these Section 310(b) provisions would forfeit leverage vis-a-vis these countries.

Effective market-opening legislation would reaffirm our commitment to the principles of private investment and competition and would allow us to challenge our key trade partners to embrace fully these principles.

The WTO negotiations have a deadline of April 30, 1996. We seek market-opening action within that time frame.

3. Third, what has been the position of nations whose markets are closed to U.S. telecommunications services in the way of justifying their lack of access, and what likely reactions can we anticipate from those nations as a result of their legislative provision?

Answer: Foreign markets are closed to U.S. firms, in varying degrees, mainly due to the worldwide heritage of natural monopoly in basic telecommunications services. The United States moved first to begin abandoning this approach over twenty years ago. The very successful American result in terms of increased information sector employment, fast-growing high-technology industries and better services to consumers and businesses has helped to motivate some key trading partners gradually to abandon monopoly as well. But progress has been incremental at best, with most markets only allowing competition in data and value-added services. Very few trading partners have taken steps to liberalize their basic infrastructure and voice telephone service markets. Even the United Kingdom, which now has one of the most liberal basic telecommunications services markets, still maintains a duopoly on facilities-based international services.

Some trade partners regard global market access as a strategic imperative for their companies. Since the United States represents about one-quarter of the world telcom services market, we can expect these nations will seek to obtain the benefit of any market-opening steps offered by the U.S. In this way, we hope to negotiate an exchange of market-opening commitments in the WTO productively with these trade partners.

Other significant trade partners which have inefficient telecommunications monopolies are faced with large unmet domestic demand for basic telecommunications services. Nonetheless, they remain cautious about allowing competition. The WOT negotiations offer an opportunity to harmonize and to expedite these parties' transition away from monopoly and towards reliance on private investment and competition.

4. Fourth, what role do you think can most usefully be played by your office in effectively implementing the proposal that has been recommended?

Answer: The Federal Communications Commission recently proposed to consider foreign market access in certain decisions affecting foreign-affiliated firms. The role of the Executive Branch as defined by statutory reform of Section 310(b) should conform with the view expressed below by the Executive Branch in its recent comments on the FCC's proposed rulemaking. In comments filed on April 11, 1995 by the Commerce Department's National Telecommunications and Information Administration on behalf of the Executive Branch, we stated,

"The Commission . . . has authority over the regulation of U.S.-based telecommunications carriers in interstate and foreign commerce, as well as concurrent authority with the Executive Branch to protect competition involving telecommunications carriers by enforcing certain provisions of the antitrust laws. In carrying out its regulatory responsibilities, the Commission may help effectuate the policy goals and initiatives of the Executive Branch and promote U.S. interests in dealing with foreign countries. Accordingly the Commission must accord great deference to the Executive Branch with respect to U.S. national security, foreign relations, the interpretation of international agreements, and trade (as well as direct investment as it relates to international trade policy). The Commission must also continue to take into account the Executive Branch's views and decisions with respect to antitrust and telecommunications and information policies."

The Administration plans to work with the Commission to establish a process to take the respective authorities of the Commission and Executive Branch agencies into account in making such determinations.

5. Lastly, in analyzing the legislation reported from the Senate Commerce Committee, do you have any suggestions as to how the provision might be strengthened to better serve the goal of opening foreign markets to U.S. telecommunications services and products?

Answer: First, the legislation should provide the Executive Branch with leverage to negotiate greater openness, in conformance with the view expressed by the Executive Branch in its recent comments on the FCC's proposed rulemaking. Otherwise, the legislation reported from the Senate Commerce Committee would make market access factors determinative, in a departure from the FCC's existing public interest standard. Under the existing public interest standard, the government can exercise discretion with respect to foreign investors from otherwise unfriendly nations.

Second, the bill should provide authority to conform with the obligations of a successful outcome in the WTO negotiations. This would require the U.S. to make any new market-opening commitments on a most-favored-nation (MFN) basis within the framework of the General Agreement on Trade in

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Services (GATS). In order to provide effective leverage in these talks, legislation to reform Section 310(b) should explicitly provide for the Government to take on such an obligation. If the WTO basic telecommunications services negotiations are not successful, the U.S. will take a most-favored-nation exception for basic telecommunications services under the GATS.

Third, the bill's market-segment-for-market-segment approach should be dropped to allow market opening generally balanced among telecommunications services markets.

Fourth and finally, the bill's "snapback" provision is a unilateral provision to remove negotiated benefits which would be unacceptable to us if proposed by other nations for themselves. It is unnecessary insofar as the FCC can already condition authorizations and reopen them if the conditions later are not met, consistent with U.S. international obligations.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Thomas, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the PRESIDING OFFICER laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

REPORT ON THE STATE OF SMALL BUSINESS—MESSAGE FROM THE PRESIDENT—PM 53

The PRESIDING OFFICER laid before the Senate the following messages from the President of the United States, together with an accompanying report; which was referred to the Committee on Small Business.

To the Congress of the United States:

I am pleased to forward my second annual report on the state of small business, and to report that small businesses are doing exceptionally well. Business starts and incorporations were up in 1993, the year covered in this report. Failures and bankruptcies were down. Six times as many jobs were created as in the previous year, primarily in industries historically dominated by small businesses.

Small businesses are a critical part of our economy. They employ almost 60 percent of the work force, contribute 54 percent of sales, account for roughly 40 percent of gross domestic product, and are responsible for 50 percent of private sector output. More than 600,000 new firms have been created annually over the past decade, and over much of this period, small firms generated many of the Nation's new jobs. As this report documents, entrepreneurial small businesses are also strong innovators, producing twice as many significant innovations as their larger counterparts.

In short, a great deal of our Nation's economic activity comes from the record number of entrepreneurs living the American Dream. Our job in Government is to make sure that conditions are right for that dynamic activity to continue and to grow.

And we are taking important steps. Maintaining a strong economy while continuing to lower the Federal budget deficit may be the most important step we in Government can take. A lower deficit means that more savings can go into new plant and equipment and that interest rates will be lower. It means that more small businesses can get the financing they need to get started.

We are finally bringing the Federal deficit under control. In 1992 the deficit was $290 billion. By 1994, the deficit was $203 billion; we project that it will fall to $193 billion in 1995.

Deficit reduction matters. We have been enjoying the lowest combined rate of unemployment and inflation in 25 years. Gross domestic product has increased, as have housing starts. New business incorporations continue to climb. We want to continue bringing the deficit down in a way that protects our economic recovery, pays attention to the needs of people, and empowers small business men and women.

CAPITAL FORMATION

One area on which we have focused attention is increasing the availability of capital to new and small enterprises, especially the dynamic firms that keep us competitive and contribute so much to economic growth.

Bank regulatory policies are being revised to encourage lending to small firms. Included in the Credit Availability Program that we introduced in 1993 are revised banking regulatory policies concerning some small business loans and permission for financial institutions to create "character loans."

New legislation supported by my Administration and enacted in September 1994, the Reigle Community Development and Regulatory Improvement Act of 1994, establishes a Community Development Financial Institutions Fund for community development banks, amends banking and securities laws to encourage the creation of a secondary market for small business loans, and reduces the regulatory burden for financial institutions by changing or eliminating 50 banking regulations.

Under the Small Business Administration Reauthorization and Amendments Act of 1994, the Small Business Administration (SBA) is authorized to increase the number of guaranteed small business loans for the next 3 years. The budget proposed for the SBA will encourage private funds to be directed to the small businesses that most need access to capital. While continuing cost-cutting efforts, the plan proposes to fund new loan and venture capital authority for SBA's credit and investment programs. Changes in the SBA's 7(a) guaranteed loan program will increase the amount of private sector lending leveraged for every dollar of taxpayer funds invested in the program.

Through the Small Business Investment Company (SBIC) program, a group of new venture capital firms are expected to make available several billion dollars in equity financing for startups and growing firms. The SBIC program will continue to grow as regulations promulgated in the past year facilitate financing with a newly created participating equity security instrument.

And the Securities and Exchange Commission's simplified filing and registration requirements for small firm securities have helped encourage new entries by small firms into capital markets.

We are recommending other changes that will help make more capital available to small firms. In reauthorizing Superfund, my Administration seeks to limit lender liability for Superfund remediation costs, which have had an adverse effect on lending to small businesses. Interagency teams have been examining additional cost-effective ways to expand the availability of small business financing, such as new options for expanding equity investments in small firms and improvements to existing microlending efforts.

We've also recognized that we can help small business people increase their available capital through tax reductions and incentives. We increased by 75 percent, from $10,000 to $17,500, the amount a small business can deduct as expenses for equipment purchases. Tax incentives in the 1993 Budget Reconciliation Act are having their effect, encouraging long-term investment in small firms. And the empowerment zone program offers significant tax incentives—a 20 percent wage credit, $20,000 in expensing, and tax-exempt facility bonds—for firms within the zones.

REGULATION AND PAPERWORK

But increasing the availability of capital to small firms is only part of the battle. We also have to make sure that Government doesn't get in the way. And we're making progress in our efforts to create a smaller, smarter, less costly and more effective Government that is closer to home—closer to the small businesses and citizens it serves.

In the first round of our reinventing Government initiative—the National Performance Review—we asked Government professionals for their best ideas on how to create a better Government with less red tape. One recommendation was that Federal agency compliance with the Regulatory Flexibility Act—that requires agencies to examine proposed and existing regulations for their effects on small entities—be subject to judicial review. In other words, they said we need to put teeth in the legislation requiring Federal agencies to pay attention to small business concerns when they write regulations. That proposal has been under debate in the Congress.

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