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How you can help:

The role of technology in national policy

John Sununu

Chief of Staff to President George Bush

BOX

I am an engineer. I practiced the profession; I taught the profession. It is a profession I love and, frankly, as the family says, someday I'll go back and have a real job again.

END BOX

One of the obligations that we have—those of us who understand engineering, science, and technology—is not to merely enjoy our profession in isolation. We should become active participants in a world that I think more and more needs constructive input into its policy-making arenas.

A technical perspective is obviously needed in some areas, such as space exploration, genetic engineering, and energy policy. But what about other areas such as child care, budget discipline, productivity in education? Even such issues as making library facilities accessible to a broader number of citizens and improving the quality of the experience can benefit from technical input. We are, frankly, referring to just about every area that influences the quality of life, the capacity of people to receive services, and the capacity of the government to fulfill its function to our citizens.

In today's world we really do need people who have been trained in science, engineering, and technology—people who are intelligent, who have the capacity to deal with tough problems, and who contribute a very different perspective from those who have dominated public policy in this country for the past 200 years. Unfortunately, this perspective is not always sought nor is it always offered. And unfortunately, too many times when the linkage is made, what has been contributed is not always of good quality.

There are a lot of reasons for this. First, engineers and scientists are naturally reticent to get involved with public policy. When I began to get involved, my colleagues at Tufts wondered why a good engineer would want to get involved in areas like politics and lose the purity and perspective that I might have had.

What do we bring to the process?



What do we add to it? Surprisingly enough, it is not the specialized skills. It is not a capacity to understand computer science. Nor is it a capacity to be a great analyst of structural stresses or to understand heat transfer. It is not expertise in civil engineering or in aerospace technology. Our contributions to public policy are not the specialized skills that we have spent a great deal of time trying to hone. It is much more the fundamental understanding of problem-solving. It is comfort with quantitative aspects of issues. It is recognition that there is a difference between talking about a problem and developing a real solution. It is a difference between just rhetoric and the capacity to go out and make things work.

We underestimate how important even the simplest of those aspects are. Now let me give you some examples.

When watching Congressional hearings (try it on cable TV's C-span sometime), one of the things that astounds me is how easily people are willing to move back and forth from quantitative requirements such as parts per million versus parts per billion when they talk about environmental issues. The ease with which they use those phrases interchangeably is rather shocking. And yet the reality is that the difference between a part per million and a part per billion is a factor of a thousand. And Mother Nature is not very linear in her capacity to allow us to deal with these things. Yet I guarantee you as you sit there and watch the debate, as you watch the presentations, as you watch the discussions, you walk away with the feeling that these folks think they're talking about another dime's worth of problems, rather than 10^8 or 10^{10} in terms of dollars' difference of what they're asking in clean-up costs.

We have become a society where standards are set, not by the quantitative benefit that might be achieved by establishing those standards, but by approaching zero as closely as possible and as closely as we can measure it. It may sound like a trivial capacity to bring this to the system—the ability to understand the difference. I guarantee that if you really did understand the difference, you would be in a significant minority among those who make policy for this country. We need that understanding for government to function.

When I became governor of New Hampshire in 1982, one of the first things the new governors were told by other governors is that there's a reality associated with state university systems that we have to get used to. The state university systems' expenses are paid for partially out of student tuitions, partially out of the general funds of the

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state. Every year the advocates of the state university system were going to come in and make one of two arguments. It would either be "last year our enrollments went up and therefore we need more money," or "last year our enrollments went down and therefore we need more money." And they did!

Now you have to have the capacity to analyze a system to realize that such ideas give you an impossible situation to handle. And I guarantee you, there are people who believe those ideas, that black is white or green or both. There is no way public policy can be made for a long period of time by accepting unreasonableness as a valid model. We need people who can sit down and point out the flaws and go back and redo the model. We need to go back and examine the assumptions. We need to go back and make sure we have the right goals. Unless we get people who understand the folly, we will not be able to make public policy in a constructive way. And I really do believe that one of the assets brought by people trained in technology is that they understand that a process exists that really can contribute to solving problems. Without this understanding, our nation will not move forward.

There's no magic here

Sometimes what we need is no more complicated than recognizing that if you have a goal to achieve, there is a process that will help you get there.

First of all, you have to identify where you are right now. You have to lay out a reasonable scenario to get from where you are to where you want to go. Now, in less technically trained groups, I give an analogy. The analogy is that if you want to drive to State College, Pa., and you think you're in Pittsburgh, you'll never get there if you're really in Philadelphia.

And yet some folks just want to talk about where they want to go without taking time to define the system as it is right now. And if you don't know that, you can't lay out the most effective scenario to get there.

Unfortunately, the political rhetoric of today generally ignores where we are and only talks about where we want to go. The rhetoric ignores the context or concept of optimizing the path and the scenario for effectiveness, efficiency, and achievement and only talks about the worthiness of the goal. The worthiness of the goal becomes sufficient justification. Anything we do or argue that we're doing about that goal is OK because we want to get to the goal.

Now, let me present some real examples that show the flaws inherent to the present system. The system is flawed because the wrong professions

have been dominant in public policy-making. We have created a system in this country where public policy is done by using the model of the quasi-judicial system. Here you allow the adversaries to come before those who will presumably make the decisions on public policy, and they present their case.

There is a fundamental flaw in that system because, in order to be fair, both sides get equal time. Even if the preponderance of professionals on an issue is lined up 99 to 1, each side gets an equal number of people to present its case. No matter what the issue is, it always looks like it's a 50-50 decision, and either way you go is okay.

Now that would be bad enough if the people who have to make the decision had the ability to tell the difference between the good arguments and the bad arguments. The fact is, that ability doesn't exist. The responsible people in the professions will come and make the presentation on the side of the majority viewpoint. Extremists on the other side, on the short end of that 99 to 1 ratio, will also come and make their presentation. And they'll come for any issue. So all of a sudden, it is exactly the same person speaking to every issue before Congress. Whether it is automotive safety, the environment, or how we deal with air quality—all of a sudden the very few, by virtue of being out of step with conventional wisdom, become folk heroes because they are there all the time. This country is full of these self-styled advocates who have become famous not by virtue of their intelligence or talent, but by virtue of a system that highlights them in a focused way over and over and over again. And what you have is a system that, by virtue of its basic structure, makes it difficult for this nation to make sound decisions.

An example

The state legislature functions the same way, and sometimes if two sides to an argument might have validity, you get strange compromises by people who don't understand that the sides can be mutually incompatible. We had a very minor but intense issue in New Hampshire that provides a good illustration. We had a historic covered bridge crossing the Connecticut River in the state, an old wooden bridge, 100 or maybe 150 years old. The state legislature heard from those who wanted it restored in the traditional way and those who wanted it restored so that it would handle modern needs. Their compromise was to require it to be restored in the traditional way and still handle a Class 15 load.

It took us a year to convince the legislature that our highway department cannot build what they were asking

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them to build. The realities of those kinds of conflicts can be found almost every single day in the public policy arena of our cities, our states, and our country. Those of us who have a feeling for technology, a feeling for science and engineering, can no longer sit back and allow the system to evolve without our participation. It does take a little bit of time. It is, in a sense, an intrusion on a professional who might be perfectly satisfied to continue research or consulting or practicing as an engineer or scientists in industry. But we really have reached a point where there is a true obligation that I think we have to respond to.

There is another aspect of policy-making that we need to appreciate. Those who control the data, those who control the filtering of the data, those who control the emphasis of the data really control the decision-making process. Most decisions are made, or at least ostensibly appear to be made, at the top of the pyramid of power. The role of all those layers below is to gather the data, summarize it, pass it up the layers. In theory, the data gets filtered and condensed more and more.

Unfortunately, those who are bureaucrats, those who represent probably the bottom 99% of the volume of the pyramid, have become very good at preordaining the decisions with which they feel most comfortable. So one of the things I think technical people must do in policy-making is to get involved not merely as advisers, not merely in the bulk of that pyramid, but really participate so that we can become part of the top of the pyramid. Once there we can ask the critical questions about the quality of the data or the model that was used or the assumptions or the method of analysis. I can tell you, just knowing the right questions to ask makes all the difference in the world.

In January of 1983, I inherited a state that had a deficit, which in terms of percentage was about the same as the as the percentage of the federal deficit. In putting a budget together, I refused to receive the summarized information. I insisted on getting involved in the fundamental questions right at the bottom. It was a lot of work, 90 days of really long hours, questioning, for instance, why they were assuming Aid to Families with Dependent Children (AFDC) caseloads would grow. Second, asking what was assumed to be the starting point. Third, asking why they were assuming that the distribution of programs would be as described. In short, I asked all the nitty-gritty questions about the basic assumptions around which a budget is made.

By getting down to the nitty-gritty and getting the raw, unbiased data, we took a state that had a deficit of about

12 or 13% of its general funds and in one year turned it around into a surplus and increased funding for critical programs like education and social services. The fact of the matter is that the bureaucrats for too long in our state had been in control of the assumptions and the model. Nobody had been willing or able to take the time to talk about the impact of those assumptions on the basic decisions. And the people making the decisions at the top didn't even know that the conclusions had been preordained. I think my training and the background that comes with being an engineer, a technologist, a scientist, and wanting to question the "why?" of the results of the system made the difference.

Now I am not suggesting that engineering and science are the only professions that bring that background. Other problem-solving professions that have that capacity. But all the problem-solving professions are underrepresented in the public policy arena. And frankly, we are underrepresented because we have chosen not to participate. And I go back to that basic theme. I really think we owe it to ourselves and we owe it to the system to be part of the process.

Let me talk about energy—a national policy issue that is easy to fuzz with emotional rhetoric. In the Northeast, we have people who are arguing that we need do nothing to add to our electric energy and generating capacity. All we have to do is be conservation-minded and we will solve our problems. Let's look at some of the statistics: Let's assume that with conservation you could create a climate for zero growth in demand. If you take the life of generating plants as 40 years, that means, on average, that you must increase your capacity every year by 2.5% to replace the plants that are going off line. That means that in a decade you must add 25% capacity in new facilities.

Even with conservation, using the 10 years with the lowest rate of growth as a base, you have about 2.8% per year. As an absolute minimum, let's do nothing but replace the plants that go out over their 40-year life.

In the next decade, in virtually every area of this country, half of your electric energy will have to come from facilities not producing today. And I suggest to you that the only people who are willing to look hard at that arithmetic are people with a solid technical background.

This is the kind of area where a technical component in establishing public policy is crucial. It is not just your specialized training, but your fundamental, intuitive capacity, your comfort factor with quantitative analysis and the questioning and the discipline

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you provide. The discipline you give in establishing solutions is the principal contribution that can be made by the people with your background.

I really do want to urge you to pay a little bit of attention to that responsibility. Take some time to get involved in the process. Make a contribution. Be part of it. I promise that you will find nothing as satisfying or as gratifying or as rewarding, and frankly, probably nothing that will allow you to make a larger difference in the quality of life for yourself, your family, your friends, your state, and your country.

John Sununu

May 2, 1988

*Dudley Hill
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Energy: X Factor in the Economic Future

I am going to speak on a topic that gets a great deal of publicity, a great deal of visibility. It's an easy topic to talk about if you don't know anything about it, so it's useful for political campaigns. The fact is that energy is a very important issue. If you look at the last century or so and examine the capacity of nations to meet responsibilities to their citizens, in terms of quality of life and the capacity to deal with individual and family needs, to become sufficient or significant in world commerce, to perform their public obligations, in nearly every case you will see nations that have been successful because they have had resources or the ability to acquire those resources associated with energy,

Most of the major changes that have taken place over the last couple of centuries have been, in one way or another, associated with man's capacity to harness energy. The industrial revolution was clearly a transition from the brawn of man to the brawn of machines. Most of the major changes that have taken place in twentieth-century commerce have been related to transportation, being able to utilize energy, to move people and goods more effectively and efficiently. Energy now in the information revolution is based on being able to use electric

energy, to leverage the capacity of individuals' thinking, utilizing energy as a tool for leverage, and the capacity of individuals to deal with issues.

Energy is important, whether you talk about it in the context of the development of the wheel which, coupled with energy, certainly made it easier for man to share goods and participate in commerce with others, or whether we look at it in terms of the most modern context.

There is always a relationship between improvements in the utilization of energy and improvements in the quality of life. We can argue all day about the direct relationship between energy and economic output, and we would find ourselves eventually narrowing the argument to a point where we would probably agree: for every one percent of growth in economic output, there is either a .8 or a 1.2 percent (somewhere in that range) increase in terms of the utilization of electric energy, for example. The argument is not, does the relationship hold? The argument is, to what quantitative coupling is that? In the world today, particularly in the United States and Western Europe, that coupling is rather clear. Surprisingly enough, in countries that are less developed, the coupling is even more striking, because the introduction of energy makes such major changes in people's lives that the result is compounded.

Let me talk in terms of this nation and this region in particular, about some of the issues that we have to concern ourselves with. This is what has happened in the United States. Our emergence as the leading country of the world could probably be traced back to that time when oil was discovered in western Pennsylvania. Along with the resources of that region, oil began to provide fuel for the industrialization

of this country, which was increased significantly by the discovery of oil in East Texas.

Thus, for a long period of time, probably until the end of the 1950s, this country was almost self-sufficient in energy, having both the oil and the coal to respond to the demand. There was abundant fuel to run industry as well as the intellectual capacity and the capital to bring forth those resources in a way that could make a significant difference in quality of life and economic development. We reached a point in the late fifties and the early sixties where we rapidly outgrew our discovery of new resources and became dependent on the Middle East for oil, especially in New England, probably the region of the country with the least access to natural energy resources.

New England became almost fully dependent on imported oil during the Second World War and the post-war period. It also became clear that this region could not long operate with that kind of dependency. And as an alternative for the generation of electrical energy, nuclear power came along, and New England lead the nation in terms of building power plants.

At present, about one-third of our energy in the New England region comes from nuclear power: Vermont Yankee, Maine Yankee, Millstone 1, 2, and 3, and so on. We have plans for the future generation of electricity.

In the nineteenth century, this region was relatively autonomous and self-sufficient in terms of electric energy. Most communities in New England are located next to the available resources--the rivers, the hydro power from rivers--whether they couple directly with those rivers later on or utilize the river to generate electricity. There

was an intimate relationship in terms of the industrial capacity of this region to draw from the available hydro power. New England has done such a good job that most all of the available hydro-power outside of the state of Maine has been utilized. There are a few major projects that could be completed in Maine that would add some capacity. But nearly all of New England has added power, is really in one way or another coupled.

In the late sixties, this country--and this region in particular is very sensitive to the situation--began to realize that it could not continue to be dependent on imported oil. And thus it tried to develop a policy that would encourage, within this nation, aggressive exploration. That went on for a while. Oil exploration began to look at some of the wilderness areas, certainly Alaska; the major discoveries in Alaska were initiated by the searches begun in the late sixties. But it remains that for most of the last two decades, this nation has continued to expand its dependency on imported energy sources, particularly oil and petroleum.

In 1973, a major incident occurred, a major historical change in the relationship between the United States as a consumer and foreign nations as suppliers. The oil embargo imposed by Mid-East suppliers in 1973 drastically changed this nation's access to cheap imported oil. Until 1973 the international price of oil was roughly--pre-1973, 1972, 1971--in the range of \$1 or \$2 a barrel, with \$1.75 the high point in 1969-1970, I believe. From 1970 to 1973 it moved up a dollar or so, but we were talking about petroleum with forty or forty-two gallons to the barrel; we were talking about petroleum at roughly six, seven, or eight cents per gallon, for all costs. Then we were able to go to

our gas stations and fill up at twenty-one or twenty-two cents per gallon, including fines and state taxes, lower in New Hampshire and Massachusetts, of course.

We were able to pull in, at almost no cost, all the benefits of the petroleum products. The same was true for industry, residential heating, and so on. With the oil embargo came a series of escalating costs. It reached a peak where the price of oil went up to \$30 or \$32 or \$33 a barrel. Roughly, if you take it to the one-seventy-five, it is a factor of twenty higher, in round numbers. It is rare for a commodity in such world-wide demand to sustain that large a growth in price in less than a decade. And the price of petroleum forced up the price of just about every other resource along with it. Natural gas, coal, and all the other energy resources were, depending on your point of view, beneficiaries of the rapid increase in the cost of petroleum. Now there has been a retrenchment from that price. The world price of oil has been in recent years about \$18 a barrel, which is still significantly higher, in fact ten or twelve times higher, than pre-1973 prices.

This means that oil is no longer an insignificant cost, either as raw stock in the chemical industry or as fuel for the industrial use of that resource. Certainly, it is not an insignificant cost to the residents who must buy petroleum products of one kind or another to provide heating or whatever, but particularly heating. The cost of oil used to be something that you didn't pay that much attention to, but certainly since 1973 that has changed. I mention this because a very important transition has taken place in the last fifteen years, and it is that transition to high energy costs from energy costs being

a virtually insignificant part of an individual or corporate budget which makes a very important thing happen in a short period of time, without much warning and, therefore, without much planning on the part of this country.

Now we can talk about what has happened since 1973. One would think that because of the changes that have taken place, this nation would have some sense of doing things differently. We ought to develop a national energy plan to cope with this, and we ought to have in place a strategy to deal with a variety of alternatives. Tragically, the Republican and Democratic administrations alike, between 1973 and now, have not developed a national energy policy. There is a pamphlet put out each year entitled "National Energy Policy," but it is really a rather meaningless collection of words. We thought we had at least an oil and gas policy, and then we discovered a year or so ago, two years now, when the price of oil came tumbling down, that we did not.

We, as a nation, don't know, for example, whether we want high petroleum prices and a strong domestic industry, or low petroleum prices and no domestic industry. We probably want something in between. Energy is such a hot, volatile issue to debate politically that nobody wants to draw a conclusion, and so we go on without any formal policy. Moreover, I suspect that we won't have a formal policy until some other crisis comes along, and we won't end up with a policy that is ours; we will end up with somebody else's policy imposed on us. That's a tragedy, because it will, in my opinion, affect not only commerce and industry, but it is a tragedy because petroleum has become a very political commodity, one that can shape the politics of foreign policy, domestic policy, and domestic politics. Without a doubt, something that important

ought to be given more thought, energy and petroleum policy particularly, than it has been given over the years.

Let me use our region as an example of absolutely inept energy planning. Here is an example of what you ought not to do, if you want to constructively deal with energy issues. Particularly let me talk about electric energy in New England. It is without a doubt an important issue, one which shapes our capacity to survive economically. This issue has been widely discussed in one way or the other, sometimes constructively, believe it or not, although not usually, but certainly it is a political issue.

Let's talk about electric energy capacity. Virtually from the day Edison invented the light bulb until 1973, the rate of growth of electric energy consumption, the utilization of electric energy, the demand side, grew in New England at an average of seven to eight percent a year, almost without abatement, for nearly a century. And those of you who know the power of compound interest, the power of compound growth, there's an extremely strong number. But what the records show is clear.

Along came 1973 and the great incentive for conservation, the escalation of costs. The other great incentive for conservation is absolute lack,-----, and both of those coupled together, to reduce the rate of growth. New England actually did about the best of all the regions in the country in terms of conservation, which is a record we are very proud of.

What we did is to achieve a reduction in the growth rate of seven-and-one-half or eight percent, down to a decade, 1974 to 1983, wherein we drove that rate of growth down to about two-and-one-half percent. That is the lowest compound per annual rate of growth, for

a ten-year period in New England since the invention of the light bulb. In that period of time we had two major recessions.

Now cause and effect aren't important. What is important is that, coupled with the reduction down to two-and-a-half percent, there was economic development, which was probably at its lowest level outside of the major recession years of 1929 to 1954. Probably no one in his right mind would go around hoping to sustain as low a growth rate as two-and-a-half percent in New England for electric energy demand, and find himself having to root for two recessions in order to achieve that over a ten-year period, and make any sense.

We have policy makers and regulators in New England trying to impose an even lower growth rate on the region, as the target for what we ought to be designing our economic system to sustain. That is absolute foolishness. Each year the regulators would suggest to the utilities that they ought to go back and project their growth rate. The utilities would come back and give the regulators what they wanted to see: a one-percent growth rate. The regulators would go back and change the starting point, because they would be four-and-a-half percent off; that way they would project next year at one percent, and then they would come back with a five-and-a-half or six-percent growth rate, which would have to be readjusted.

Since 1982, we have had six years of a growth rate at about four-and-a-half percent, depending upon the year you are looking at, averaging about five-and-a-half to five-and-three-quarters percent. We are now in 1988 where in 1982 and 1983 the utilities told us we would be in the year 2004 in terms of usage. We are out of all capacity for growth in New England. We instituted emergency procedures about

six years ago, called Operation Four. We estimated that we would have to bring those into effect about once every year or two, if something happened. It now operates so they come into effect about thirty-five times a year. We are operating in emergency conditions, on average, one out of every ten days in New England.

We sustain ourselves by making emergency buys, sometimes at two and three times the average rate of cost for electricity. It eventually begins to affect people's rates; because we have no capacity, we will begin to suffer from the significant rate of growth of electric energy costs. We have policy makers in this region who think that merely by wishing we won't need any extra electricity; we won't have to plan for it; we won't have to invest for it; we won't need to have added generating capacity.

Let me give you some numbers: New England now uses about 18,300 megawatts, at peak call. We have a growth rate of about five percent a year. Five percent of that is about 800 or 900 megawatts. A plant the size of Seabrook is 11,000 megawatts. It means that every fourteen or fifteen months, our current growth rate is such that we need the equivalent capacity of another Seabrook. Our deal with Canadian Hydro-power Phase I is for 685 megawatts. We have a deal with Canadian Hydropower Phase II for another 1350 megawatts, which is a total of two thousands megawatts. When that comes on line in 1991, we'll be getting about ten percent of our power from Canada. If we cut another equivalent deal with Canada, we will be getting about twenty percent from Canada. That second deal, the second half of the second, will program another 2000 megawatts and will take care of another two to two-and-and-one-half years worth of growth.

But even at two-and-a-half percent a year growth, over a decade that's twenty-five percent, even if you don't compound it. Over the next twelve years, we will clearly have thirty percent growth, even at the lowest rate of growth we have ever had.

In addition, the average life of a power plant is forty years, which means on average we must replace two-and-a-half percent every year. Between now and the year 2000, New England, as a microcosm of what might be going on around the country, will need the equivalent of about eight or nine or ten plants the size of Seabrook. This means that now is the time for construction, because it takes about twelve to fifteen years nowadays to bring almost anything on line, and we haven't even started. Half of the power we will be using in the year 2000 has to come from plants not yet on line. Frankly, it will have to come from plants not even thought of.

I have absolutely no idea what we are going to do, other than taking a little bit of power from Canada and what we are trying to do, working out some arrangements with Ohio and West Virginia to siphon some of their power. Neither Pennsylvania nor New York want the power lines to go through its state; however, we are trying to work out something. We might be able to get another 2000 megawatts from the Midwest, and another 2000 megawatts from Canada, but we are still 6 to 10,000 megawatts short. Most of the people who make public policy today will assume, have assumed, that somehow the problem will go away. It is not going to go away. It is serious.

Finally the Federal Reserve here in New England did a study and discovered, low and behold, that even our most pessimistic concerns actually underestimated the problem. The business community is just

beginning to understand that their capacity for growth and expansion is about to be limited by the lack of available electric energy. The city of Boston, with all of its great plans for new office construction, has just discovered that Boston Edison cannot deliver. It is becoming clear that we are going to have to have a major change in approach to this problem, if this region is to survive and expand economically over the next decade or decade-and-a-half.

Let's talk about how states in the region might solve their problem. Certainly, Vermont, New Hampshire, and Maine are smaller than the other states in terms of their electrical needs; they don't have as large a growth-capacity problem, and they happen to be next door to Canada, and they can go north of the border and probably, individually or collectively, cut a deal with the Canadians for additional power.

Connecticut is the one state in the region that currently has a slight excess capacity, and they can probably take care of themselves for the next six or seven years. At that point, they might be able to cut a deal with New York, which has some projection for excess capacity, although the numbers seem to be based more on projections, foundations built on sand, than originally thought. But let us assume they can take care of that. The state of Rhode Island has entered into a contract with a company called Ocean State, so they will put in a very small--but sufficiently large--facility to take care of their own needs.

The one state that somehow doesn't have access to Canada or to excess capacity is Massachusetts. The theory is that we will run up to Canada too, and the Canadians will take care of all our power needs. Hasn't it dawned on somebody to look at a map and discover that we have to bring the power lines through New Hampshire? Even if power

lines could be licensed, we are beginning to realize that the Canadian system may be such that we couldn't get that much power.

You may have been watching the Bruins game on television a couple of weeks ago and witnessed a power outage, a relatively frequent occurrence, frequent in the sense that it happens once or twice a year. Our Eastern Grid cannot tolerate that kind of outage. The Canadians become used to the problem, and they deal with it. But the commercial and industrial sides of the Eastern Grid cannot tolerate outages. The Canadians have been urged to do some reliability studies, make some major investments to guarantee reliability, so that when we do tie in, we are not subject to the same kind of outages.

It is not just a question of turning on a switch and having the power come back on. We don't know how long it took for that last outage in Canada to come back, but it was measured in hours. Some of you may remember when we had our major outage on the East Coast that it was half a day to get back on line.

These are problems for which I have no magic solution. I don't mean to come here with any recommendations for you to do the following. But I do think we have to recognize our economic dependence on electricity, and that growth in our industrial sector depends on the capacity to generate energy. If, in fact, we want to attract investment with the opportunity to expand, we have to deal with both the reality and the perception of decision, because investment does not like to go where it discovers, after the fact, that it cannot grow.

While electrical capacity growth is crucial for New England, there are other parts of the country in similar situations. Not all of them. The Midwest has some excess capacity, a significant amount

of excess capacity, and the Northwest has excess capacity, but you can't just pipe that around as easily as it sounds. In the ideal world you can, but we have to cross political borders. Political borders are such that there is a variety of jurisdictions. We are, as I said, trying to negotiate with Pennsylvania to encourage them to allow us access to some Midwestern power. It is a difficult situation.

Let me add one more thing, and then I'll open it up to questions. I'll probably talk about what you're most interested in, rather than what I'm most interested in.

New England traditionally has been able to deal with tough situations, because it has a history of history, if you will. It's one of the oldest parts of this nation with a tradition of commitment in terms of its work ethic. It has recognized that cutting-edge technology is what we ought to be doing. But I can tell you this: I know of no technological change or phase that in the period of time we are talking about--in a decade or two--that could be brought to bear on this issue. Beyond that, for every technology-fixed service, there is a capital-investment requirement; and every time you are dealing with technology and capital investment, particularly in the area of energy, you create the opportunity for mischief.

Frankly, because this country has set up a regulatory structure that creates a time frame--from decision-making to turning on a switch for energy, projects are now measured in decades or fractions of decades--I am concerned that we have created such a competitive structure for ourselves that the United States has become noncompetitive with the rest of the world. If the carrying cost is of the order of ten or twelve percent a year, we have⁴ the equivalent if a four-to-seven year period

of nonproductive time. Ten percent over even a seven-year period almost doubles the cost of the investment. And how do we expect to reestablish the competitive character of the world when one of the major production costs, namely the cost of energy, doubles the capital cost of that principle cost?

It doesn't make sense. At some point, I presume, the nation will redo its regulatory structure. We will recognize that we have to establish a system. Once a commitment is made for an investment, people ought to be allowed to follow through with that investment, to accomplish construction and bring the project on line in as short a period of time as possible. Rather, what we have right now is a system that even our worst enemy would never have thought he could design for us, but we put it in place and penalized ourselves. We have created a disincentive for private investment to come into the energy area. That disincentive is real, and I assure you, for whatever the reason is that the utilities underestimate their growth needs, they do not want to play "You Bet Your Company" with the kind of investments necessary to bring these resources on line. It does not serve the region's individual states, and it certainly does not serve our citizens well.

We must address the political side, the regulatory side, of the issue first; and, when we do, I'm absolutely convinced that we'll follow the applications of technology, ingenuity, and capital. Electricity and our economic wellbeing can be historically tied, just as they will be tied in the future. The challenge for these who care is to help us develop a solution to reestablish a way for whatever works for us, rather than against us.

Thank you very much for having me come down and visit with you today.

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WINTER GRIDIRON DINNER
WASHINGTON, D.C.
SATURDAY, DECEMBER 3, 1988

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comfort the Christians must have felt when they were cheered in
just ahead of the lions. Obviously, this is the best-dressed
group of carnivores in the world.

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I - Scum speeches

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#

2- Boston Globe



From The Boston Globe / Washington Bureau

12/20
THE CHIEF of STAFF
has seen

Andy -

Gov. Finner asked
for a transcript of John
Milne's now famous "Do
you want to be a US
Senator in 1990?" interview.

Please to keep the
attached off-the-record,
and FYI only.

RMy

WORKING

{s1SCRIPT1 {quMILNE-USR {ms

{btRobby: This is part one of the sununu transcript. I'll be out of town next week, but Chinlund and Farrell were present as well. Cheers..jm

NOTE: the questions below are not always presented verbatim:

opens with chat about our story on tufts, saying we admit we were wrong. also chats about cartoons ``that's what i read first in the newspaper.``

Q what is the most ridiculous request made so far?

S: ... i dont think you can put any/many in the ridiculous category. everybody who has made requests is trying to do their job. i had some odd job requeswats from people, 'please consider me for...' i'm not going to embarrass anybody by talking about somebody over-reaching...

Q: but it hasn't been bad?

S: no. but its been alot. we, literally, have ben getting 100, 150 letters a day in here. i think i have 350 resumes that ahave come to my house and to my office, a third of which are from people i don't even know around the country. we are tyruing to be fair to evrybody. there aer alot of good people out there whom i have never met whoare offering themselves tothe government... so we se t up a system in transition to try to qualify and quantify whose appropriate for where....''

Q: you had to do your own financial disclousre?

S: ``i am in the process of doing it. believe me, it is trivial.``

Q: can we see it?

S: ``no. i will give it to the transition or the ethics people, and if they want to release things, they release them, and if they don't want to, they won't. i am not going to do anything unusual one way of the other.

Q: have you had to divsest yourself of anything?

S: ``I don't have anything to divest.... i literally have my house, a summer home, i own a small piece of an insurance business. and i have a less than a thousand dollars worth of stock. i have stock leavings that were probably less valuable than the commission to sell at the time. so i never sold them, which i will sell now. and pay the extra commision to sell them. that is basically my hooldings. i have an extra lot next door to myu house that i bought when i bought my house. i've just gone through this. that's how i can be so accurate.``

Q: is there value placed on your own corporations?

S: ``I've treated them as zero. I essentially put them into dormancy. those corporations were perwsonal consulting efforts where i would (inaudible). I am not selling those. i am keeping them dormant.

Q: have you ever done any work while you were governor for those corporations?

S: ``no. i have taken my speaking fees through one of the companies, through JHS Engineering, only for paperwork. but i've listed every speaking fee i've had. I mena, for tax purposes, i just passed (?) it...

Q: the reason i asked was what you said yesterday about the different defense department executives having to undergo...?

S: ``No. no. Mine is trivial. one of the reasons mine is trivial... one of the reasons that i wasn't going to run again is because mine has become trivial.``

Q: have you taken a loss?

S: ``I don't want to talk about it.. I've spent alot of savings.``

Q: what are you going to do with the political money?

S: "I am going to leave that. I may run again. there are senate seats coming up in this state, and i am not going to shut my door on running again at all."

Q: that why you bought the bush voting list?

S: "we bought the bush voting list becuase i thought i was going to run again at one point. the primary was over in february. and i wanted the best list in the state. there was a point where i was 90 percent sure i was going to run again...Then i decided not to. it's still the best list in the state. we'll keep it. I'm going to see if i can't keep it up to date..."

Q: what about in that article when you talked about not staying in washington very long.....didn't you tell mayer, etc?

S: "No,no, no. I said i am only going down for this job.i don't intend to move from this job to another washington job. i am not going to be al lifetime washington polititian. i said that before. I had all the intentions inthe world to going back to tufts and my consulting business. in fact, uh - what's the right word? - the irony of it is, i had an appointment with the provoist, i think it was for three ocklock - i know it was on november 17 - i think it was for three oclock, which happened to be the exact hour, or moment, that i was announced as chief of staff. so i had to cancel out at the last minute. we were going to talk about how it was going to be to come back, what i was going to do, would i just teach engineering...we were just going to have that first discussion."

Q: I understand you told mr. mayer that you would be in washington only two years?

S: "As i said, you know, i probably would be down there a couple of years. but don't read..."

Q: senate seats come up in 90 and 92?

S: "Well, that's an interesting point, isn't it? I don't want to make that as a hard commitment, but you know.... i'm not, the context of that comment was that I am not going down to washington to be there forever. i want to do this job for the vice president, tyhe president elect, as long as he needs me to do this job. when i finish this job, and when I finish this job... we are not selling the home, our home, in new hampshire. we are keeping our home in new hampshre, and i intend to come back to new hampshire."

Q: what will be your measure for succeeding at this job? have you set a standard?

S: "Either leaving on my feet, or being carried out of the white house. the criteria is very simple. if my paycheck continues, i'll still have the job. if my paycheck doesn't, the message is clear. you are no longer chief of staff... i don't have any specific... what i am trying to say is that i am going down to be chief of staff to george bush, that's the only thing that would drag me down to washington. that's why i am going down to washington. and when i complete that, it is my intention to come back to new hamsphire. that's why i am not selling the home. that is the context that all of these answers really ought to be put in."

Q: when you said you wanted that job, you said you wanted it because it was one in which you could make a difference. what does that mean. what can you do that another chief of staff couldnt or woudlnt?

S: "I think there is an intersesting thing that i do bring donw there. that is being elected governor three times. i think contrary to alot of what has been said, in the long run i think that is going to be an asset. there is sort ofr a fraternity of elected officials. or a sorority of elected officials. in which you deal with someone who has been through the wringer, (inaudible) and i think that's aplus that i would hope to use for the president, the next president, in working with people in washington."

Q: i hear you saying that you would tend to be more active in pressing the president's agenda...

S: "That's my job."

Q: outreaching in the sense of talking to congress, as opposed to simply the setter of the schedule and managing the staff.

S: "i thin its an added - uh, not an added responsibility, but it is part of my responsibility that i bring an asset to that i ought to use more."

Q: how might you do the job in a way different that jim baker did it, or howard baker?

S: "I pointed to somebody that if howard baker were to be the chief of staff to george bush, he would do the job differently than he did the job for ronald reagan... his parallel yourself to previous chiefs of staffs is really a meaningless question. the right role is the role that is best for george bush, and it has nothing to do with paralleling myself with anybody else. and i have to set up an internal structure that works best with george bush's style."

"I have used a couple of times the example that george bush likes to pick up the phone and call somebody, almost any time of day or night, to talk to them about an issue. i've got to build an internal staff structure and procedures that make the best use of that. not inhibit it, but capture whatever information is exchanged in the phone call and whatever commitments are made, so that we can staff that interaction. that is a little bit different than other presidents. and i am doing the job right, i want it to be done in such a way that lets those particular stylistic differences between george bush and previous presidents be used as assets."

Q: what has he asked of you?

S: "I don't want to go into the details of what he wants and doesn't want. that has nothing to with trying to be tough. because he can probably change his mind (this doesnt make sense to me. did i mis-hear a word?cc)

"We are going to have an evolving set of rules, an evolving set of operating conditions that you would like to have. if this works, he'll say 'keep it up' and if this doesn't work, he'll say 'change it.' so i don't think each of our little internal adjustments ought to be newsworthy. so i don't want to ...

Q: i didn't mean little internal adjustments, but larger issues.. i know that one of the reasons you were so high on the list... bush feels himself more accomplished in foreign policy than domestic policy, and you bring alot of domestic policy..

S: "I know in education, in health care, in child care, issues associated with environmental quality, air and water, those are all areas where i have been very active as a governor..."

WORKING

{s1SCRIPT2 {quMILNE-USR {ms
{btSununu part 2:

Q: Foreign vs. domestic policy?

A: I'm quite sure that's possible...I know in education, in health care, in child care, issues associated with environmental quality, air, water, those are areas where I've been very active as a governor. I've spent a lot of time prior to the primary, and between the primary and the election, in talking about those as issues with him, on a very frequent basis. Sometimes I brought other governors in, sometimes I brought other people in to do that, but that's an area that I think I will be asked to do more than just pass information through, but occasionally comment on policy and make recommendations on policy. Where he feels he wants me to do that, I'll be as aggressive as he wants to whatever level he wants.

Q: federal?

A. Flexibility back to the cities and states...

Q. Can you do anything in this post...

A. Yes. If it develops that's one of the policies he wants pursued, then if he chooses for that to be done, I can then go and work with the departments and agencies there and encourage them, within whatever flexibility they have under the law, to transfer that flexibility to the cities and states.

One of the problems is that sometimes between the broad definition of what a law wants accomplished when it's passed by congress and signed by a president, and the implementing stage by the bureaucracy, there is sometimes an added set of constraints that makes it awfully hard for final providers of service, which is quite often the state _ you know, Medicare, Medicaid, health care, welfare programs, all that _ we sometimes end up being boxed in with constraints that were probably never ended in the law.

As chairman of the NGA i sent down what started as recommendations of around 400 from the various states. We repackaged them to around 167, and we've gotten about half of those acted upon already by the government. if the president elect, as president, says we'll continue with encouraging people to respond to those, I'll continue to encourage that response.

I want to stress _ that is part of my agenda. The agenda is going to be defined by George Bush. And I can't overstress that. Because I am not going to be able to do my job well unless people understand that I am absolutely committed to that.

Q: But isn't there something he's already said during the campaign that you went, 'boyu that's something I'd like to sink my teeth in, defense procurement, medicare reform.

A. Not in this term. I really have to say that. The priorities of all the slices here will probably be shuyffled and relined up on a periodic basis by George Bush and if he wants to take something from the top and put it on the bottom, that's the way I've got to respond to it, and I'm committed to responding to it."

Q. responsibility is a lot of what your take.

A. Yeah, but this is a different president. That's the point I want to make. This is a president that I think is just going to have a much more day to day involvement in not only setting the policies and priorities, but I suspect he's

going to want to know how the implementation is running on a much more involved basis.

Q. Arranged wh support systems. one or two exm.

A. I gave you the one, of phone calls. He makes a phone call in the middle of the night, I've got to have a system that captures that information. I hae to have somebody, it might not be the right way to do it, but I've got to have somebody whops responsibility it is to say,. did you do anything last night we should know about?' and to get the information and pass it to the system.

Q You're not going to go back tor ecoreded calls?

A. No, no. ...Look, tim mcbride...he's probably going to continue the assignment of being a personal aide to George Bush, being much more available on a 20-hour-a day basis than any other staffer. That's tim's responsibility now. So maybe I work out an arrangement with Tim that says, tim, would you just make sure you keep a log of the non-office business phone calls tt are made so we can debrief the vice president at the morning meeting. You know, last night you called congressman Smith, is there anything there we should know that you talked about, is there any commitment made, is there any follow-up you need.

This morning when you first got up, you called Senator Jones, is there anything there. It's an interaction procedure, it's not an automatic.

Q. Baker and Deaver_ set the morning line.

A. I think that will probably be built into it. I don't know whether the morning line is the right thing, but the agenda for the day is certainly one of my responsibilities.

Q. harbor and tunnel.

A. I've said it a couple of times already. My mother in law, my father-in-law, all my inlaws, live in Massachussetts. I'm not going to do anything. I have just as much family down there as I do up here.

Q You don't expect anything worse for the state.

A. Im going to Washington. Im not going to do anything anybody should be worried about.

Q. balances ideological and phil issues and managerial.

A. I think he's already demonstrated that, and I can only interpret what's happened already the way you can interpret what's happened already. He has been very aggressive in telling the transition people that he feels a personal commitment to a balance of non white males in the cabinet. That means more women, more minorities, more blacks, more hispanics, and I can tell you the top of the discussion every single time we go in as a group to talk about new appointments, it immediately gets to that, and he says, you've got to go out and get a better, broader list, with talented people that are not limited to white male recommendations. and I think that's a very different part of what he's doing.

Beyond that, he is really been looking, all those considerations being built into the selection process, he's trying to get the people that he feels are very good, he can work with, and represent the same agenda he does. and that's not another surprise, that's what anybody who makes appointments does. That's what I do, that's what everybody who has that appointment authority looks for. Im not going to appoint somebody who doesn't move the agenda the direction I want, and he'd be crazy to do the same.

Q. vp's agenda setting during the campaign.

A. I think the vice president's agenda was clearly articulated in a very detailed Republican platform. And that really does represent George Bush's agenda.

Q. It's the platform rather than Dukakis is a liberal?

A. Yes. I think we went out of our way to write a 100-plusd page platfoirm that virtually completely defines the kinds of things we want to do, whether

it's a focus on child care that's in there, whether it's added health care for handicapped individuals, whether it's the emphasis on education or some of the foreign policy initiatives he's outlined.

Q. They're going to pay it all, without new taxes?

A. That's right.

Q. Including the first .

A. we are going to put together a budget that implements the platform. We did it here, remember.

Im very serious. You have to pay attention to differences in the way things were done over the past few years, and again I give you my experience because I can talk about it. We've built the newest, most modern prison system in the country. We are completing construction of the newest central psychiatric facilities in the country. We rebuilt entirely all the area and regional programs for mental health and the developmentally disabled, made the commitment and fulfilled the commitment that the state picked up every shortfall of federal dollars for water and sewage treatment facilities. We've invested in ourselves by being effective and efficient in other areas. I think that philosophy can be carried through and I hope that's what you'll see done in what we come up with for the budget.

Q. And you're going to have a hand in that...

A. Dick Darman is the principal architect of the budget, but I am going certainly to be a tough critic, you know, on approaches they take. That's one of my jobs, I think, before it gets to the president.

Q. cab issues. fed bud,

A. I talk about that because those were our needs at the time. I came into a state in which that was the need. There may be different needs in the fed government.

Q.

A Darman is at omb im chief of staff. talk to darman about the details. i don't have that problem. I don't have that luxury. It's both in the context of a responsibility and an opportunity.