

Subject: Night Note 12/8
Sent: Thu, 8 Dec 2005 20:31:24 -0500
From: "Langdon, James C." <James_C._Langdon@who.eop.gov>
To: <kr@georgewbush.com>, "Rove, Karl C." <K_Rove@who.eop.gov>, "Hughes, Taylor A." <Taylor_A._Hughes@who.eop.gov>, "Jackson, Barry S." <Barry_S._Jackson@who.eop.gov>, "Smith, Heidi M." <Heidi_M._Smith@who.eop.gov>, "Kavanaugh, Brett M." <Brett_M._Kavanaugh@who.eop.gov>, "West, Christal R." <Christal_R._West@who.eop.gov>, "Weinstein, Jared B." <Jared_B._Weinstein@who.eop.gov>, "Boyer, Matthew W." <Matthew_W._Boyer@who.eop.gov>, "Kropp, Emily L." <Emily_L._Kropp@who.eop.gov>, "Katz, Jeremy L." <Jeremy_L._Katz@who.eop.gov>, "Ralston, Susan B." <Susan_B._Ralston@who.eop.gov>, "Kane, M. Lauren" <Mary_L._Kane@who.eop.gov>, "Hoare, Thomas H." <Thomas_H._Hoare@who.eop.gov>, "Hook, Brian H." <Brian_H._Hook@who.eop.gov>, "Langdon, James C." <James_C._Langdon@who.eop.gov>
Cc: "McMillin, Stephen S." <Stephen_S._McMillin@who.eop.gov>

[Pending Issues 12-8.doc](#)

[Policy Time Calendar 12-8.doc](#)

[Working Group Calendar 12-8.doc](#)

[Cabinet Member Schedule 12-8.doc](#)

Pls note- this information is sensitive; eyes only

Attached are the Pending Issues, the Policy Time Calendar for this month, the Working Group Calendar for this week and next, and the Cabinet Member Schedule for the following week.

Thanks,
James
x61475

December 8, 2005

MEMORANDUM FOR ANDY CARD, KARL ROVE, JOE HAGIN, and MIKE GERSON

FROM: STEVE MCMILLIN, BRIAN HOOK, and JEREMY KATZ

RE: NIGHT NOTE

Patriot Act. The PATRIOT Act conference report has been signed by a majority of the conferees (all Republicans, no Democrats). It will go to the House floor next Wednesday morning, where it should pass without any difficulty. It will likely be on the Senate floor next Wednesday afternoon, where it will face a filibuster. We will have to work hard to get enough votes for cloture.

Reconciliation. The House passed the tax reconciliation bill by 234-197. Three Republicans voted no (Boehlert, Leach, and Upton); nine Democrats voted yes (John Barrow-GA, Melissa Bean-IL, Dan Boren-OK, Robert Cramer-AL, Henry Cuellar-TX, Lincoln Davis-TN, Bart Gordon-TN, Jim Marshall-GA, and Mike McIntyre-NC). The House bill costs \$56 billion over five years. Its major provision is a two-year extension of the 15 percent rate on dividends and capital gains (from 2008 to 2010), which costs about \$20.5 billion over five years. It also contains a number of other popular extensions, such as a one-year extension of the research and development tax credit (costs about \$10 billion over five years); the deduction for state and local sales taxes; the deduction for tuition expenses; and the work opportunity and welfare to work tax credits. However, the House bill does not contain other significant provisions that are in the Senate reconciliation bill. It does not contain a full AMT "patch" for 2006, nor does it not have any Katrina related tax provisions (the House passed separate bills addressing those issues yesterday). Finally, it does not have any provisions relating to charitable donations.

Avian Flu. Last night, Senator Frist's staff contacted HHS about a new approach on liability protection for vaccine manufacturers that Barton and Gregg support and industry likes. The new provision would preclude a lawsuit against a manufacturer by an individual injured from a vaccine due to willful misconduct by the manufacturer, unless the FDA had taken an enforcement action against the same manufacturer for the alleged willful misconduct. HHS appears neutral to this approach while DOJ is concerned about the constitutionality of making injured persons' ability to get into court against manufacturers depend on whether FDA has exercised its enforcement discretion to take enforcement action against the manufacturer and has succeeded. WHC and DPC object to the Hill's approach and believe we moved away from the administrative gatekeeper model after weeks of work for a reason, and it seems that this just brings it back in a different form. OLA is working with HHS to come up with compromise language that they will clear with DOJ and the White House. OLA indicates we need a compromise by Monday night or Tuesday morning.

Immigration. Chairman Sensenbrenner's border security and immigration enforcement bill was voted out of House Judiciary on a party-line vote. The bill merged the Homeland and Judiciary marks into one text, so this will be what goes to the House floor on Wednesday or Thursday. Thanks to our meetings with House leadership and the committees, the merged bill did not include the authorized levels in the Intel Bill. We have started drafting our SAP in anticipation of next week's vote. In the Senate, we learned that Frist plans to put a border security bill on the floor first, fully expecting it will get amended with TWP and other elements to make what finally passes

comprehensive reform. He wants to be personally associated with border security. Lastly, IGA has organized an ALEC panel on immigration reform this Saturday with Doug, Allyson, and Brian presenting.

Health Care Big Ideas. NEC hosted a Principals meeting where participants were in favor of incremental expansion of HSAs that would increase the amount of money people could contribute. The willingness to expand the tax preference for these contributions beyond income taxes to include payroll taxes depended on the will to raise revenues through capping the employer exclusion at approximately \$25,000 or dropping the refundable tax credit, which has been included in our budget proposals the last five years. Adding the payroll tax preference would raise the price of the package to \$50 billion over 10 years versus only \$28 billion if it just focused on income taxes. There was some debate about replacing the current tax credit proposal with an alternate credit requiring use of HSAs, but with different income limits. NEC plans to host a follow-up meeting on Monday with Principals before policy time with the President next Friday.

Katrina Reallocation Package. Wolff, Hubbard, Bolten, McMillin, Jodey Arrington, et al, met to discuss the Administration position and strategy with regard to the Cochran \$18.4 billion add-on. On substance, it was agreed to: support additional CDBG money, but only enough to make uninsured homeowners partially whole (target is 25% of uninsured loss) to mitigate moral hazard concerns; oppose all extra agriculture spending; support additional Corps/levee money (subject to authorization); and oppose most other items. The assumption is that the total package would need to be \$4-6 billion at the end of the day in order to close the deal with Cochran, but this assumption will be tested in a Friday meeting between McMillin, Arrington, OLA/OMBLA, and House leadership staff.

Other Issues

- Agriculture Disaster Package (Sommers/NEC; Katz) – Senator Martinez introduced an agriculture disaster package on 11/17 that CBO scores at \$2.1 billion. The bill would provide disaster money for production losses that have occurred as a consequence of five hurricanes (Dennis, Katrina, Rita, Ophelia and Wilma). The bill would assist with losses to program crops, nurseries, citrus, livestock, sugar, timber, and fisheries. This proposal does not address damages incurred as a consequence of other natural disasters (drought, flood, etc). It is likely that any agriculture disaster bill will be attached to the last appropriations bill moving before Congress leaves for the year -- probably the Defense Appropriations bill. Senator Cochran is working on a spending package for ag disasters that have occurred throughout 2005. This package will spend approximately \$4 billion. All producers who have incurred a 35% loss and are in a USDA-designated disaster county will be eligible for payment. He will attempt to attach this package to the DOD Approps bill before Congress adjourns and will likely be successful. The package will be partially, but not fully, offset by cuts in other programs, potentially using some of our Katrina reallocation package as offsets. At a staff level, we have expressed our concern with this package. USDA will spend a record amount on farm programs this year and this approach is certainly excessive based on the payments being made.
- Air Traffic Control Commercialization (Sharp/DPC; Hook) – On 11/28 FAA Administrator Marion Blakey requested Federal mediation to bring the air traffic controller contract negotiations to a close. The union must agree to mediation and has not yet done so. If mediation fails (could be weeks or months), the FAA can declare an impasse and notify Congress of its intent to enforce its contract. If Congress does not act to alter the contract in 60 days, FAA can impose its terms.
- *AMT (Hennessey/NEC; Katz) – NEC, OLA, COS, and Treasury held a conference call to discuss Senate strategy on the stand-alone AMT bill. Kyl has argued that the AMT bill should be held to leverage additional moderate/Democrat votes for cap gains/dividends, but Frist favors pushing AMT stand-alone. It was agreed that the downside of Kyl approach (Administration tagged with holding up AMT relief until next year) outweighs any potential gains (few of the moderate/Democrat targets would likely be swayed by this strategy).*
- Amtrak Reform (Sharp/DPC; Hook)
- Asbestos (Ho/DPC; Hook)
- Associated Health Plans (Leggitt/DPC; Katz)
- Bahrain FTA (Daly/NSC; Katz) -- On 12/7, the House passed the agreement by a vote of 327-95, with 115 Democrats voting for the bill. We expect the Senate to vote for the agreement next week. If the Senate passes the agreement it is possible the agreement will enter into force on January 1, 2006.
- Beef (Sommers/NEC; Katz) – On 11/29, South Korea delayed an announcement on its probe into the safety of US beef, which likely delays the reopening of the Korean market to our beef products. The delay came right after a Korean agriculture group threatened to stage rallies if the government removes the ban on beef from North America. Korea is widely believed to be waiting for the Japanese market to open to US beef in mid-December before opening their market. Korea was the third largest market for US beef prior to its closure 2 years ago because of BSE concerns.
- Boeing Advocacy (Daly/NSC; Katz)
- Brazil Compulsory Licensing of HIV/AIDS Drugs (Hunter/NSC; Katz) – U.S. pharmaceutical companies Abbott, Merck, and Gilead have been in separate negotiations for months with the Brazilian Ministry of Health to reach an agreement on the supply of three AIDS drugs. On

10/10, Abbott signed an agreement with Brazil. Gilead met with the Brazilian authorities last week and Gilead tells NSC the meeting was constructive. The Brazilians agreed to continue from Gilead proposal presented on 5/24. The Brazilian government had comments on the proposal primarily related to their desire to not link price reductions to set consumption levels. Gilead agreed to consider the request and provided immediately a counterproposal which is under evaluation at this time by the Brazilian government. The Ministry of Health has pledged to reply by this Wednesday (not yet happened) to the Gilead counter proposal, but indicated in an initial meeting that it seemed reasonable. Gilead is cautiously optimistic.

- BSE (Sommers/NEC; Katz)
- CAFE (Sharp/DPC; Hook)
- Campaign Finance Reform (Taylor/OPA; Hook)
- Canadian Corn Dispute (Sommers/NEC; Katz) – On 11/15 Canadian Border Services ruled against the United States for dumping subsidized corn on the Canadian market. The Ontario Corn Growers Association says the U.S. subsidies are driving down the price of corn around the world, making it difficult for Canadian farmers to survive. The Ontario group filed a complaint with Canadian Border Services in September about the impact of American subsidies on Canadian farmers. The Canadian corn farmers want duties imposed to raise the price of corn in Canada, and for Ottawa to file a complaint with the WTO to force the U.S. to get rid of its subsidies. The amount of the resulting duties will be released Dec. 15, about midway into the meeting of the WTO in Hong Kong. Many view this as an effort by the Canadian government to secure rural support for their potential upcoming elections.
- Canadian Lumber (Hunter/NSC; Katz) – The final antidumping and anti-subsidy margins on Canadian lumber announced by Commerce on 12/6 were virtually unchanged from the preliminary margins issued in June. The average combined final margin is 10.81 percent, while the preliminary figure was 10.62 percent. The U.S. industry issued a statement applauding the results and highlighting the inconsistency between Commerce's subsidy findings and the NAFTA panel's recent directive to Commerce to calculate a de minimis subsidy rate. Canada's International Trade Department issued a statement stressing that the rate announced today is significantly lower than the 20 percent rate presently collected by Customs, and asserted that prior NAFTA decisions obligate Commerce to revoke these orders. Canada will likely challenge this determination through the NAFTA panel process or in U.S. court.
- Cement (Shirzad/NSC; Katz) – In discussions on 12/4 and 12/5, Commerce and Mexican officials continued to make progress on an agreement to end this long-standing dispute. The discussions focused on increasing the three million metric ton quota figure proposed by the U.S. by an additional 250-500,000 tons, including a provision to allow for the importation of 250,000 tons of cement above the quota if the U.S. government determines additional supply is needed to respond to a natural disaster; the duration of the agreement; and the duty rate on cement imported under the agreement. Commerce will be sending a revised proposal to the Mexicans on Thursday. Both sides will now consult with their respective industries on these issues, and talks will continue on the margins of the Hong Kong ministerial next week. Commerce hopes to be in a position to announce an agreement in early January.
- CFIUS (Daly/NSC; Katz) – On 11/25, Check Point Ltd. (the Israeli computer security company) notified Treasury that, based on unresolved compliance issues from an earlier CFIUS filing, it was withdrawing its request for a CFIUS review of its proposed acquisition of Sourcefire (a U.S. internet security company maker of anti-spyware software). Therefore, this review will not go to investigation today. Check Point is still intent on going through with the acquisition of Sourcefire and a CFIUS review following an expedited resolution of their compliance issues. However, even if Check Point and CFIUS agencies work through the unresolved compliance

issues from the earlier CFIUS filing, serious national security issues remain a challenge for their proposed acquisition of Sourcefire.

- Clear Skies (Stolpe/CEQ; Hook)
- Climate Change (Connaughton/CEQ-Hook) -- Yesterday, the Canadian Prime Minister attacked the U.S. for its position on climate change. "To the reticent nations, including the United States, I say this: There is such a thing as a global conscience." Connaughton, who noted that Canada's emissions are growing at a faster rate than the U.S. (and many other countries), asked J.D. and Faryar for clearance to have an informal discussion with the Canadian Ambassador.
- Conflict-of-Interest-Reporting (Sharp/DPC; Hook)
- *Doha (Shirzad/NSC; Katz) - In a press conference today, EC Trade Commissioner Mandelson criticized the lack of balance in the Doha negotiations (calling it the "ag-only round"), indicating that this focus is crowding out needed discussions on tariff cuts on manufactured goods and the elimination of barriers to service trade that are needed to sell the agreement in the U.S. and EU. Mandelson criticized India and Brazil for offering tentative tariff cuts on industrial goods that do not offer new market access and called for China to make concessions, indicating that its market and export growth distinguishes it from other developing countries. In closing, Mandelson highlighted the U.S. leadership in past negotiations and invited us to work together with the EU and overcome the focus on agriculture.*
- Drug Reimportation (Leggitt/DPC; Katz) – OLA reports that the House Energy and Commerce subcommittee on Oversight is attempting to schedule a hearing on drug importation on Tuesday, December 13th at 1:00 pm. Apparently, Congressman Whitfield has scheduled the hearing in order to highlight the safety problems with drug importation, which includes illegal internet pharmacies. While acknowledging the friendly intent, OLA was able to convince Committee staff to change the topic of the hearing to internet sales of controlled substances that will allow us to avoid the drug reimportation issue.
- Education (Wilson/DPC; Katz)
- EEO-1 (Sharp/DPC; Hook) – On 11/17 the EEOC voted 3-1 to approve minor changes to the EEO-1 form. Employers use EEO-1 to report the race and ethnicity of their workforce. OMB will review the new form before it becomes final.
- Endangered Species Act (CEQ; Hook) – Interior has drafted a revision of the ESA regulations and is beginning the process of vetting the draft with EOP and engaging Commerce, which also has ESA authorities. CEQ will need to referee the interagency struggle for a common approach to regulations, and CEQ may also need to harmonize the content of the rules with the Congressional debate.
- Energy (Hannegan/NEC; Katz)
- *Entergy New Orleans (Hennessey/NEC; Katz) -- WH was informed today by an Entergy lobbyist that the 3 letters exchanged between Entergy's VP and Al Hubbard were provided by the company to Governor Blanco. In anticipation of impending public release, WHComm is providing the letters preemptively to the N.O. Times-Picayune and a couple of national publications, and is making Keith available for background discussions.*
- Faith Based (Towey/OFB; Hook) – DPC and OFBCI met with Sen. Santorum's staff on 12/6 to discuss the charitable giving incentives included in the Senate tax bill (S. 2020) that passed on Nov. 18th. Sen. Santorum would like more enthusiastic Administration support of the charitable provisions. The House is expected to take up the legislation before the end of the year, but will likely not include any charitable giving provisions. In conference, the Senate is expected to push for the inclusion of the charitable provisions in the final bill and would like Administration support. Many of the provisions included are supported in the FY06 budget except for the non-itemizer deduction, which is a priority for Sen. Santorum.

- Farm Bill (Sommers/NEC; Katz) – Hubbard/NEC hosted a meeting on 11/30 with Johanns, Wolff, and other EOP staff to discuss the provision in the Senate reconciliation bill extending the current Farm Bill through 2011 (as a budgetary baseline gimmick). The House continues to strongly oppose this provision, with our support. In case that support wanes, alternatives were discussed including persuading the Senate Budget Committee to provide budget baseline relief to Chambliss, pursuing non-Farm Bill savings (many already rejected by Congress), or even forgoing ag-related savings in reconciliation to avoid what Johanns considers the greater harm of extending the current Farm Bill.
- Federal Sentencing Guidelines (Ho/DPC; Hook) – The Supreme Court has declined to confront the question of retroactive application of its decision in *Booker v. U.S.* limiting federal sentence enhancements based on facts not found by a jury. The Court denied review in 11 cases on the issue, including one case in which it had sought the Solicitor General's views. As usual, there was no explanation for the denials. The Solicitor General had argued that *Booker* should not be applied retroactively, because it failed the "new rule" test of the Supreme Court's 1989 decision in *Teague v. Lane*.
- Flood Insurance (Warsh/NEC; Katz)
- Florida Everglades (Hannegan/CEQ; Hook)
- FMLA (Sharp/DPC; Hook)
- GSEs (Warsh/NEC; Katz)
- Great Lakes Outreach (Kathy/Khary) – Connaughton and Maggie met with Chicago Mayor Daley to discuss the Great Lakes Collaboration. The Mayor is requesting new federal money for the Great Lakes region as a new announcement. We shared the list of federal commitments with him and are continuing to work with his staff and EPA on the announcement of near term actions for the Great Lakes.
- Health IT (Leggitt/DPC; Katz) – DPC plans to meet with OMB and HHS early next week to discuss a "checklist" mapping out deliverables over the next year to ensure we continue forward progress on achieving the HIT goals for CY 2006 and beyond.
- Indian Trust/Cobell (Ho/DPC; Hook) – On 11/15 the Court of Appeals for the D.C. Circuit ruled that the district court owes substantial deference to Interior's proposed \$335 million accounting plan (and may not impose Judge Lamberth's \$12 billion substitute).
- *Katrina Housing (Streeter/DPC; Hook) - FEMA's recovery director testified today before the House Housing and Community Opportunity subcommittee about the overall housing response to Katrina. Democrats on the committee criticized the Administration's response to the hurricane as insensitive and unfocused, and they also complained that Secretary Jackson did not send a HUD representative, which they had requested. HUD had asked for a separate hearing.*
- Katrina/Governor Barbour (McMillin/COS) - Haley met with Hubbard, Powell, McMillin, and Grant. The Governor reported growing frustration and uncertainty about the future among coastal residents, driven in part by continued congressional inaction on funding and a perception that FEMA thinks it is "wrapping up" long before the job is done. Powell and Barbour discussed the uninsured homeowner issue at length, with Powell striking a good balance between skepticism and sympathy.
- Literacy (Wilson/DPC; Hook) -- The Department of Education hosted a briefing on 12/7 to discuss the upcoming December 15th release of results from the National Assessment of Adult Literacy. The assessment was administered in 2003, the first time since 1992. Summary of the results: 1) 11 million adults are functionally illiterate; 2) Looking at overall literacy levels, the only area that has increased since 1992 is in mathematical literacy; 3) African American scores are up; 4) Hispanic scores are significantly lower; and 5) Adults with a college or graduate

degree had lower literacy scores than in 1992. At this point, OMB's FY2007 budget passback zeroes out Adult Education State Grants, which serves the needs of adults who lack basic literacy or a high school diploma.

- MCC (Shirzad/NSC; Katz)
- Medicaid Clawback (Ramthun/NEC; Katz)
- Medicaid Commission (Ramthun/NEC; Katz)
- Medicare Prescription Drugs (Ramthun/NEC; Katz)
- Medical Liability (Ho/DPC; Hook)
- Methamphetamine (Leggitt/DPC; Katz)
- Microsoft (Altbach/NSC; Katz) – On 12/7 the Korean Fair Trade Commission (KFTC) issued a finding on the Microsoft case and reached an E.U. style decision, finding that Microsoft had violated Korean competition laws. Microsoft expected a favorable decision, and was very disappointed by the KFTC's findings, which could require it to sell two different versions of windows in Korea. Microsoft will likely appeal this decision. Microsoft was very complimentary of Administration assistance in this investigation.
- Municipal Finance (Warsh/NEC; Katz)
- *NASA (Russell/NEC; Katz) – NEC convened an EOP-only meeting on 12/2 to clarify options with Hubbard, Hadley, Bolten, and Marburger. NEC will convene a similar meeting tomorrow of EOP-only participants followed by one more principals meeting next Monday to reach a common understanding on options to present to the President. In addition, Hadley was scheduled to meet privately with Griffin today.*
- Native Hawaiian (Ho/DPC; Hook)
- NCLB (Medina/DPC; Hook)
- Ninth Circuit Court of Appeals Split (Ho/DPC; Hook) – DOJ has sent a views letter to Chairman Sensenbrenner expressing support for splitting the U.S. Court of Appeals for the Ninth Circuit. In its letter, DOJ explains that "dividing the 9th Circuit would improve the administration of justice," as the "sheer size of the 9th Circuit has led to serious administrative difficulties that have adversely affected its ability to render justice efficiently."
- *OFHEO (Warsh/NEC; Katz) -- NEC has spoken to OMB/OIRA about a proposed OFHEO rule on corporate governance. This rule would propose further restrictions to the circumstances under which Fannie and Freddie could indemnify their directors and officers. OMB/OIRA believe it is proper to send the rule back to OFHEO for reconsideration because it does not meet two key provisions of Executive Order 12866: 1) Identification and Assessment of Alternatives to Direct Regulation; and, 2) Consider Information on the Consequences of the Intended Regulation. The letter was sent 12/8 with NEC and WHC agreement on the language of the return letter. OMB career staff, CBO and the Congressional Budget Committees have agreed that the finances of the FHLBanks' Affordable Housing Program be displayed on-budget beginning next year. CBO previously scored the House GSE bill's Affordable Housing Fund for Freddie and Fannie as on-budget, since the funds are government-compelled spending to meet specific government purposes. In addition, NEC and OMB (after consulting with McMillin) plan to display the new GSE regulator as an independent entity in the FY 2007 Budget, consistent with the Shelby bill. Previous Budgets have proposed the regulator as part of the Treasury Department.*
- OMB Risk Assessment Plan (Kaplan/OMB; Katz) – OMB is preparing to issue a bulletin for comment on 12/12 that will require agencies to provide more accurate and transparent risk assessments. OMB-OIRA is concerned that agencies sometimes deem a substance a risk (famous recent examples include levels of arsenic in drinking water or mercury in tuna) without providing the underlying assumptions about the level of acceptable risk such that

the risk then becomes overstated. There will likely be agency and/or environmental-lobby resistance to the bulletin under the view that the White House is interfering with the agencies' scientific expertise.

- *OPM (Ramthun/NEC; Katz) – Yesterday, the Postmasters Benefit Plan filed a Federal lawsuit challenging OPM's Notice of Intent to disapprove participation in the FEHBP until after the Plan has responded to that Notice and has had the right to a hearing on that Notice, pursuant to OPM regulations. This morning, the district court denied a request by the Plan for a Temporary Restraining Order to forbid OPM from such notification. OPM can now proceed to advise enrollees of the proposed termination. A final decision will not be made until after the Plan responds to OPM and has the opportunity for a hearing before a neutral hearing officer who will make a recommendation to the OPM Director for a final determination on this issue.*
- Pensions (Blahous/NEC; Katz) – OLA has indicated that, while it is still most probable that the pension vote will be put off until January, Boehner is making a run at whether he can get enough support for a vote this month. OLA isn't predicting he will succeed, but advised us to keep our ears open.
- Peru FTA (Shirzad/NSC; Katz) – On 12/7 USTR successfully closed the FTA negotiations w/Peru. NSC reports that Portman began outreach to the Hill at the same time. NSC believes this to be an encouraging step as we go into the week of WTO talks in Hong Kong that start Monday. On sugar, the amount in the agreement is small -- total of 11,000 tons (2,000 tons of which are organic, which apparently we do not grow).
- Postal Reform (Sharp/DPC; Hook) – USPS reported on 12/6 it concluded FY 05 with a net income of \$1.4 billion on record revenues of \$70 billion and record volume of 212 billion pieces of mail. Standard Mail, which businesses use to reach consumers, outpaced First-Class Mail for the first time in history with 101 billion pieces of Standard Mail compared to 98 billion in First-Class Mail. First-Class Mail grew slightly in 2005 after three years of decline. On 11/15 Deputies met to discuss postal reform legislation. The House passed an expensive bill in July, but the Senate bill has stalled because of a disagreement between Senators Collins and Bond over a rate-setting provision. The Administration has supported reform, but does not particularly like either bill and included a senior advisors' veto threat in the House SAP against the bill's price tag. The Administration has been assured that these and other objectionable provisions will be removed in conference, but there is no clear plan for making these corrections. Deputies agreed that we should not intervene to settle the Senate dispute at this time, given the lack of urgency to move the postal bill and other pressing issues that Senator Bond is associated with.
- Physician Payments (Ramthun/NEC; Katz)
- Prison Industries (Ho/DPC; Hook)
- Rice (Shirzad/NSC; Katz) – The WTO Appellate Body on 11/29 affirmed a panel decision that found the Mexican antidumping investigation on U.S. rice exports, as well as portions of Mexico's antidumping and countervailing duty laws, are WTO inconsistent. Mexico is an important and growing market for U.S. rice, with exports of approximately \$183 million in 2004. Mexico cannot appeal the decision announced today and must now implement the Appellate Body decision or face possible retaliation by the United States.
- Saudi Arabia WTO (Hunter/NSC; Katz)
- SBA Loans (Warsh/NEC; Katz)
- Science (Russell/OSTP; Hook) -- DPC participated 12/7 in a math & science meeting with OSTP, CEA and OMB. The meeting reviewed DPC's proposals for a math & science initiative which includes immigration, education, and workforce components. Based on suggestions from OMB, DPC is working to expand and enhance the proposals to ensure they are an effective use

of resources, are not duplicative of already existing programs, fit into the overall strategy, and have measurable goals.

- Social Security (Blahous/NEC; Katz)
- Steel (Shirzad/NSC; Katz) – The Commerce Department announced on 12/1 that they will initiate three antidumping cases on imports of carbon steel wire rod from China, Germany, and Turkey. The value of imports from these three countries in 2004 was approximately \$304 million, \$111 million, and \$302 million, respectively. Assuming the U.S. International Trade Commission preliminarily finds that the U.S. domestic industry is injured, these cases will likely take about a year to complete.
- Steroids (Ho/DPC; Hook) – On 11/14 Major League Baseball and its player's union announced a tough new steroids policy. The new plan is essentially what Commissioner Selig proposed earlier this year: a 50-game suspension for a first offense, a 100-game suspension for a second offense, and a lifetime ban for a third offense. After a two-year period, players could appeal a lifetime ban. Although discussions on the Hill between Commissioners and Members are ongoing, the agreement may preempt the passage of any steroid bills.
- Stem Cells (Levin/DPC; Hook)
- Strengthening America's Community Initiative (Streeter/DPC; Hook)
- TANF (Streeter/DPC; Hook)
- Tax Reform (Hennessey/NEC; Katz)
- Telecom (Russell/NEC; Katz)
- TRIA (Warsh/NEC; Katz)
- Tricare Rx (Leggitt/DPC; Katz) – OMB has indicated that it appears DOD will present a discretionary 2007 proposal to align Tricare benefits for retirees ages 38-65 with copays and deductibles for retired FEHBP participants. Currently, these individuals pay on average \$680 a year versus \$3,700 for civilian and other private plans. In addition, OMB has asked for DPC's input on the advisability of including in the President's budget provisions that would authorize charging a monthly premium to retired veterans over 65 that receive the Tricare pharmacy benefit. The premium would be similar to the premium charged to seniors on Medicare Part D. Claude has expressed concerns about proposing drug benefit premium changes, as well as the other cost-sharing provisions that we think DOD will propose in the near future. Any savings that DOD proposes under the Health Care benefits are designed to allow DOD to reach the budget goal set by OMB.
- Uncompensated Care/Katrina (Ramthun/NEC; Katz)
- Union Officer Conflict of Interest Reporting, LM-30 (Sharp/DPC; Hook)
- Veterans (Leggitt/DPC; Katz) – VA will be releasing DOD estimates on traumatic injuries resulting from Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) late next week. DOD estimates there are 5,000 service members who have received traumatic injuries. This information will be released in conjunction with implementation of a new benefit for injured service members. The benefit pays up to \$100,000 for injuries such as loss of limb, sight or other traumatic losses. The benefit is retroactive for members who suffered a qualified injury in OEF or IOF.
- Voting Rights Act (Ho/DPC; Hook)
- Vouchers (Streeter/DPC; Hook)
- White House Conference on Aging (Leggitt/DPC; Katz) – Both Secretary Leavitt and Claude Allen will be speaking next Monday at the opening session of the Conference. Claude's speech will address several major themes. The first theme covers implications for all generations and addressing the issues related to our seniors as a family and community issue (e.g. supporting families and family care givers). Another theme is preparing the baby boom generation, guided

by values of individual ownership, choice and independence (e.g. prevention, new Medicare drug benefit and the New Freedom Initiative). His speech will conclude by emphasizing that everyone has an important role to play in ensuring we are doing what we can to care for ourselves and our loved ones and to ensure the value and dignity of all are respected.

- Workforce Training in the Gulf Region (Sharp/DPC; Hook) – On 11/30 DOL announced the "Pathways to Construction Employment Initiative" to help workers in areas impacted by the hurricanes enter a career in construction through outreach, skills assessment, and placement in apprenticeship or pre-apprenticeship programs. It will target the residential, commercial, industrial, and heavy highway construction sectors, as well as shipbuilding and heavy marine construction. Grants of \$5 million each will be awarded to the Louisiana Community and Technical College System, working in close partnership with the Louisiana Department of Labor, and the Mississippi Department of Employment Security, working in close partnership with the Mississippi State Board for Community and Junior Colleges.

POLICY TIME – NOVEMBER 2005

SUN	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT
4	5 NO TIME	6 1:15-1:45 OFB: Voucher Expansion (30 min)	7 NO TIME	8 11:05-11:35 NSC/NEC: WTO/ Doha* (30 min)	9 NO TIME	10
11	12 2:05-2:50 NEC: Medicare/CPI* (45 min)	13 1:25-2:10 TBD: Rove (45 min)	14 2:35-3:20 NEC: NASA* (45 min)	15 1:05-1:50 NEC: Taxes in '07 Budget* (45 min)	16 1:05-1:50 NEC: Health Tax* (45 min)	17
18	19 11:25-11:55 NEC: Katrina Update* (30 min) 1:05-1:50 DPC: School Choice* (45 min)	20 1:45-2:30 NEC: Health Insurance Reform* (45 min)	21 1:55-2:40 OMB: '07 Budget Wrap (45 min)	22 1:05-1:50 DPC: Math/ Science* (45 min)	23 NO TIME	24
25	26 NO TIME	27 NO TIME	28 TBD	29 TBD	30 TBD	31

12/08/05

Possible December Policy Times: China Overview; Doha Post–Action Review; Energy II; Family Agenda; Global Nuclear Energy Initiative/Yucca; Katrina Periodic Updates

* Indicates Cabinet Member Attendance

Working Group Calendar

WORKING GROUP CALENDAR

Monday, December 5 th	Tuesday, December 6 th	Wednesday, December 7 th	Thursday, December 8 th	Friday, December 9 th
<p>3:00 NEC: Meeting on Tax in the '07 Budget – Deputies (SM)</p> <p>5:30 NEC: Meeting on Medicare/ Medicaid – PCC (JK)</p>	<p>9:15 DPC: Weekly DOT call – PCC (BH)</p> <p>3:00 NEC: Energy Principals Meeting (JK)</p> <p>3:00 DPC: Weekly ED Call – PCC (BH)</p> <p>5:30 DPC: Weekly DOJ Call – PCC (BH)</p>	<p>11:00 DPC: Weekly Conf Call w/ DOL (BH)</p> <p>5:30 NEC: Healthcare Principals Meeting (JK)</p>	<p>9:00 HSC: Avian Flu Murder Board (JK)</p> <p>9:00 NEC: Biweekly Pension Call – PCC (JK)</p> <p>10:00 DPC: Weekly Call w/ HHS (JK)</p> <p>1:00 DPC: Weekly Asbestos Call – PCC (BH)</p> <p>2:30 NEC: Weekly Medicare Meeting – PCC (JK)</p> <p>3:30 NEC: Weekly Medicaid Meeting – PCC (JK)</p>	<p>1:30 DPC: Meeting on School Choice – Deputies (BH)</p>

Working Group Calendar

Monday, December 12 th	Tuesday, December 13 th	Wednesday, December 14 th	Thursday, December 15 th	Friday, December 16 th
	<p>9:15 DPC: Weekly DOT call – PCC (BH)</p> <p>10:30 DPC: Principals Meeting on SACI (BH)</p> <p>3:00 DPC: Weekly ED Call – PCC (BH)</p> <p>5:30 DPC: Weekly DOJ Call – PCC (BH)</p>	<p>11:00 DPC: Weekly Conf Call w/ DOL (BH)</p>	<p>10:00 DPC: Weekly Call w/ HHS (JK)</p> <p>1:00 DPC: Weekly Asbestos Call – PCC (BH)</p> <p>3:00 NEC: Weekly Medicare Meeting – PCC (JK)</p> <p>4:00 NEC: Weekly Medicaid Meeting – PCC (JK)</p>	

OFFICE OF CABINET LIAISON



CABINET MEMBER SCHEDULE

FRIDAY 12/09/2005

Secretary Leavitt (T)

12:00pm – 1:00pm **WH Mess** Personal

SATURDAY 12/10/2005

Secretary Rice, Secretary Snow, Attorney General Gonzales, Secretary Norton, Secretary Gutierrez, Secretary Leavitt, Secretary Mineta, Secretary Nicholson, Secretary Chertoff & Director Bolten

8:00am – 12:00pm **Room 350** Cabinet Level Tabletop Exercise of Government Response to an Influenza Pandemic

Participants:

White House

Karl Rove, CoS (T)
Joe Hagin, DCoS (T)
Harriet Miers, Counsel (T)
Claude Allen, DPC (T)
Fran Townsend, HSC
J.D. Crouch, NSC
Keith Hennessey, NEC
Trent Duffy, Deputy Press Secretary
John Marburger, OSTP
Kenneth Rapuano, HSC
Heidi Marquez Smith, OCL
Jeanie Mamo, Media Affairs
Carol Kuntz, OVP
Jeremy Katz, Special Assistant to the CoS for Policy
Rita DiCasagrande, NSC
Shannon Burkhardt, Communications
Dean Clancy, OMB

State

Paula Dobriansky, Under Secretary for Global Affairs and Democracy

Treasury

Nada Eissa, Deputy Assistant Secretary for Microeconomics

DOJ

Lee Otis, Associate Deputy Attorney General
Rosemary Hart, Special Counsel, Office of Legal Counsel

DOJ

Thomas Weimer, Senior Advisor to the Secretary

USDA

Chuck Conner, Deputy Secretary

HHS

Dr. Julie Gerberding, Director of Center for Disease Control
Dr. Bill Raub, Acting Assistant Secretary for Planning and Evaluation
Paula Stannard, Acting General Counsel

DOT

DOD

Gordon England, Acting Deputy Secretary
Paul McHale, Assistant Secretary for
Homeland Defense
General Peter Pace, Chairman of the Joint
Chiefs
Brigadier General Terry Scherling, Deputy
Director for Antiterrorism/Homeland
Defense
Admiral Timothy Keating, Commander for
U.S. Northern Command
Lieutenant General Steven Blum, Chief of
National Guard Bureau

John Hill, Assistant Administrator for the Federal Motor Carrier
Safety Administration
Laura McClure, Senior Advisor in the Office of the Secretary of
Transportation

VA
Dr. Lawrence Deyton, Director of Public Health Strategy

DHS
Dr. Jeff Runge, Chief Medical Officer

DNI
General Michael Hayden, Principal Deputy Director

b(3) 50 USC 3024(m)(1)

MONDAY 12 / 12 / 2005

Attorney General Gonzales

10:30am – 11:00am **1 FL/WW**

Lessons Learned: Hurricane Katrina

Participants:

White House
Fran Townsend, HSC
Joel Bagnal, HSC

DOJ
Kyle Sampson, CoS

Secretary Mineta

2:00pm – 3:00pm **Room 164**

Office Time

3:00pm – 3:30pm **Room 164**

Lessons Learned: Hurricane Katrina

Participants:

White House
Fran Townsend, HSC
Joel Bagnal, HSC

DOT
Maria Cino, Deputy Secretary
John Flaherty, CoS

3:30pm – 4:00pm **Room 164**

Office Time

Secretary Leavitt & Director Bolten

2:05pm – 2:55pm **Oval Office**

Policy Time: Medicare and Consumer Price Index

Participants:

White House
Vice President
Secretary Card, CoS
Karl Rove, DCoS
Dan Bartlett, Counselor
Scott McClellan, Press Secretary
Ben Bernanke, CEA
Al Hubbard, NEC

CMS
Mark McClellan, Administrator

Candi Wolff, OLA
Mike Gerson, OPSP
David Addington, OVP
Steve McMillin, CoS Office
Joel Kaplan, OMB
Keith Hennessey, NEC
Roy Ramthun, NEC

Secretary Bodman

3:00pm – 3:30pm **1 FL/WW** Meeting with Steve Hadley

TUESDAY 12 / 13 / 2005

Secretary Jackson

9:30am – 10:30am **Room 164** Office Time

Secretary Norton

1:15pm – 1:45pm **Room 164** Lessons Learned: Hurricane Katrina

Participants:

White House
Fran Townsend, HSC
Joel Bagnal, HSC

DOI
Thomas Weimer, Senior Advisor to the Secretary

WEDNESDAY 12 / 14 / 2005

No Events Scheduled.

THURSDAY 12 / 15 / 2005

No Events Scheduled.