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To: Lorraine D. Hunt OIRA BC RPT/OMB/EOP@EOP

cc:

Subject: Comments of the Salt Institute on Draft 2003 Report to Congress on the Costs and Benefits of Federal Regulations

Please find our comments attached.

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May 5, 2003

Ms. Lorraine Hunt
Office of Information and Regulatory Affairs
Office of Management and Budget
NEOB – Room 10202
725 17th Street, NW
Washington, DC 20503

RE: Draft Report to Congress on the Costs and Benefits of Federal Regulation

Dear Ms. Hunt:

The Salt Institute, on behalf of its member salt manufacturing company members, congratulates OIRA and OMB for this commendable effort to require agencies to use standard benefit: cost and cost-effectiveness analyses in their rulemakings. This represents a significant step towards transparency in public policy. For many years, agencies have employed undisclosed criteria and assumptions that have overstated benefits and understated costs of regulations they propose. This provides a tool to challenge bureaucratic arrogance and will improve policy oversight of the consequences of federal rulemaking.

We hope that you can be firm in requiring agencies to adopt this system as opposed merely to requiring that they consider it as a guideline. These requirements will both encourage agencies to properly evaluate regulatory alternatives and give the public and elected policy-makers a much sounder basis for evaluating those options. Given that regulations necessarily result in transfers of benefits, the benefit: cost and cost-effectiveness analyses should not require the agencies to choose the alternative with the greatest benefits relative to costs or even the most cost-effective solution, but it will provide a valuable public service in requiring the agencies to explain why they might wish to pursue another option. Thus, it seems to nicely balance the technical requirements of providing reliable and useful information with the need to ensure political accountability.

As is the case in most matters of policy, the details do matter. Others have been able to examine these questions in greater detail than we have been able to do, so we would add our endorsement to the comments being prepared by the U.S. Chamber of Commerce, the Harvard Center for Risk Analysis and George Mason University's Mercatus Center. In particular, we would encourage OMB/OIRA to maintain the clear distinction between "avoided costs" and claimed benefits and recognize in the final report that while technologies change, regulations should not assume future technological developments – when an invention comes along that changes the economics of the regulatory scheme, the agency should conduct a new analysis to factor-in its impacts.

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That said, Congress should warmly applaud your effective analysis and support your efforts to make sure that agencies adopt – not adapt – its guidance as they develop new rules. It would be hoped that OMB might be able to reach back earlier than 1992 and have the agencies apply these principles in revisiting earlier still-effective regulations as a means of identifying likely targets for future regulatory reform.

Sincerely,

Richard L. Hanneman

President

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