

Congressional Closeup by Carl Osgood

Legislation Introduced On Terrorism Insurance

On Nov. 1, legislation was introduced into both Houses to implement a plan proposed by the Bush Administration to facilitate the provision of terrorism risk insurance. Under the plan, as described by Treasury Secretary Paul O'Neill to the Senate Commerce, Science, and Transportation Committee on Oct. 30, the Federal government would absorb 80% of the first \$20 billion in losses resulting from a future terrorist act, and 90% of losses up to \$100 billion. The amount that the government would absorb would decrease over time until, at the end of the third year, the industry would assume 100% liability, under the "expectation that the private sector would further develop its capacity [to set risk premiums] each year," explained O'Neill.

The bill, introduced by House Financial Services Committee Chairman Michael Oxley (R-Ohio) and Senate Banking Committee Chairman Paul Sarbanes (D-Md.), provides for a 90/10 split up to \$100 billion, and seeks to recoup the government for losses by placing surcharges on policyholders. The bill is set to run for two years, and is extendable for another year by the Secretary of the Treasury. For the long term, Oxley said, "insurers will be encouraged to set aside reserves in case they are needed to pay terrorism claims. These reserves will grow while our short-term solution is in place."

The problem that the bill is said to address is the inability of insurance companies to price terrorism insurance, in the wake of the Sept. 11 terror attacks on New York and Washington, D.C. O'Neill said, at the Oct. 30 hearing, that "because insurance companies do not know the upper bound of terrorism risk exposure, they will protect themselves by charging enormous

premiums, dramatically curtailing coverage, or, as we have already seen, . . . simply refuse to offer coverage." He said this "has the potential to cause severe economic dislocations in the near term."

The bill has bipartisan support, but Sen. Ernest Hollings (D-S.C.) expressed skepticism that the bill is anything other than a bailout of the insurance industry. O'Neill insisted that it is not, but Sarbanes acknowledged that "this proposal to deal with this issue is going to have to be very carefully worked through."

Aviation Security Bill Faces Tough Conference

On Nov. 1, the House passed an aviation security bill that is significantly different from the bill that passed the Senate by a vote of 100-0 on Oct. 11. The House bill creates a Transportation Security Administration within the Department of Transportation, which will assume responsibility for security of all modes of transportation. It also requires enhanced security at airports, including a military presence; the deployment of air marshals on flights; specified aviation security measures, including allowing pilots to carry firearms in the cockpit; and the submission of passenger manifests of flights originating overseas.

The most contentious provision, is that dealing with passenger and baggage screening. The House bill establishes employment and training standards but leaves it to the Bush Administration to decide whether the screeners will be Federal employees. The Senate bill Federalizes the entire workforce and places it under the Department of Justice.

The split in the House on the passenger screening issue was almost en-

tirely ideological. The Republicans bristled at the idea of creating another Federal workforce, one with civil service protections and the right to unionize. As House Majority Whip Tom DeLay (R-Tex.) said on NBC's "Meet the Press" on Nov. 4, "I don't want a government program." The Democrats charged that the GOP is trying to keep the present system in place, which amounts to "security by the lowest bidder." Of course, the debate is framed in such a way as to leave out the most crucial factor, and that is, that the current system is the result of the cost-cutting regime imposed on the airlines by the deregulation of 1979.

During the House debate, the Senate bill was introduced as a substitute amendment by James Oberstar (D-Minn.), the ranking member on the Transportation and Infrastructure Committee. Oberstar's amendment was defeated by a vote of 218-214. The bill now goes to conference committee, and, with security breaches at the nation's airports continuing to make news, no one can predict how a compromise might be reached.

Senate Democrats Put Forth Stimulus Plan

On Nov. 6, Senate Majority Leader Tom Daschle (D-S.D.) announced that the Senate Finance Committee will be moving ahead with a markup of a proposed economic stimulus bill. Among other things, the bill will provide for an additional 13 weeks of unemployment benefits, on top of the usual 26 weeks; a 75% subsidy to the unemployed to purchase health insurance; and a tax rebate for 45 million low-income taxpayers who were ineligible for or only received a partial tax rebate in the first round of tax cuts earlier this year. The bill also includes a section dealing

with homeland security issues, including infrastructure protection.

Republicans pounced on the plan, accusing Daschle of being totally partisan. Charles Grassley (R-Iowa), the ranking member on the Finance Committee, warned, "There's no point in having a train wreck on the floor of the United States Senate, and that's where we're headed" with the Democratic bill. Minority Leader Trent Lott (R-Miss.) complained, "There is concern" that the Democrats "continue to turn to just spending more money" which doesn't have a "stimulative effect." The Republicans support the bill passed by the House on Oct. 24. That bill consists mostly of tax cuts, and a minimal amount of spending for the unemployed.

Daschle said, "I think it's amusing that the Republicans would call our approach 'partisan' when it was the Democrats who attempted to reach out week after week to our Republican colleagues in the hope of finding a bipartisan consensus." He said it was the Republicans who refused that consensus—and he might have noted that the House debate and vote were very partisan. "We're ready to sit down any time," Daschle said. "Until then, we've got to do all that we can to move this process forward, and that's what we're doing."

FBI Criticized In Senate Hearing

FBI and Justice Department officials faced skeptical Senators when they testified before the Senate Judiciary Committee's Subcommittee on Technology, Terrorism, and Government Information, on Nov. 6. Subcommittee Chairman Dianne Feinstein (D-Calif.) expressed surprise that the FBI had made little progress in its investi-

gation of the anthrax attacks. "This has been a big puzzle to me," she said. "I would have thought that it would be fairly easy to determine the number of sources, go directly to them . . . and come up with some conclusions."

J.T. Caruso, deputy assistant director of the FBI, said that, in fact, there are thousands of people who have been educated in the United States who "possess the capabilities, the intellectual knowledge to be able to produce various kinds of pathogens," and that it is enormously difficult to track them all down. Caruso told the subcommittee that the FBI has agents "out all over the country talking to people in laboratories . . . and following up leads." However, as John Edwards (D-N.C.) noted, the bottom line is, "As of now, you don't know where the anthrax came from, and you have not been able to identify all the people who may have access to it." Caruso replied, "That's correct."

The FBI's problems in cooperating with local authorities also made it into the record. Boca Raton, Florida Mayor Steven Abrams, whose city was the location of the first anthrax attack, told the subcommittee that he now subscribes to the *National Enquirer*, because he gets more reliable information from that publication on the anthrax attacks than he does from the FBI.

Bush Threatens Veto On Appropriations

President George Bush, during a meeting with Congressional leaders on Nov. 6, warned that if Congress insists on adding funds over and above the \$40 billion in emergency spending appropriated after the Sept. 11 attacks, he will start vetoing spending bills. Members of both parties initially re-

acted with anger. Senate Appropriations Committee Chairman Robert Byrd (D-W.V.) reportedly told the President, "Parents are afraid to take their children to school, they're afraid to go shopping. If you want to veto, you go right ahead."

Appropriators in both the House and the Senate have been trying to provide additional money for the Centers for Disease Control and Prevention, for law enforcement agencies, and for protection of weapons facilities and shipping.

The next day, House Minority Leader Richard Gephardt (D-Mo.) told reporters that there is a bipartisan group in Congress that feels "it's important that there be at least provisional allowance for needed spending that might appear over the next four months for mainly homeland defense and bioterrorism." The White House, on the other hand, is arguing that they have only spent \$3.7 billion of the \$40 billion allocation so far, and therefore there are plenty of funds remaining to meet any foreseeable needs. House Appropriations Committee Chairman Bill Young (R-Fla.) was initially inclined to agree with the Democrats but then changed his mind, calling on committee Republicans to vote against additional emergency spending.

The White House meeting came on the heels of the Senate completing action on the Labor, Health and Human Services, and Education Departments appropriations bill. It took a week to work through it because of a number of disputes, the worst one being an amendment sponsored by Majority Leader Tom Daschle (D-S.D.) guaranteeing the right of public safety officers to unionize. Daschle gave up on it when a cloture vote on the amendment came up four votes short of the required 60 to get past a Republican filibuster.